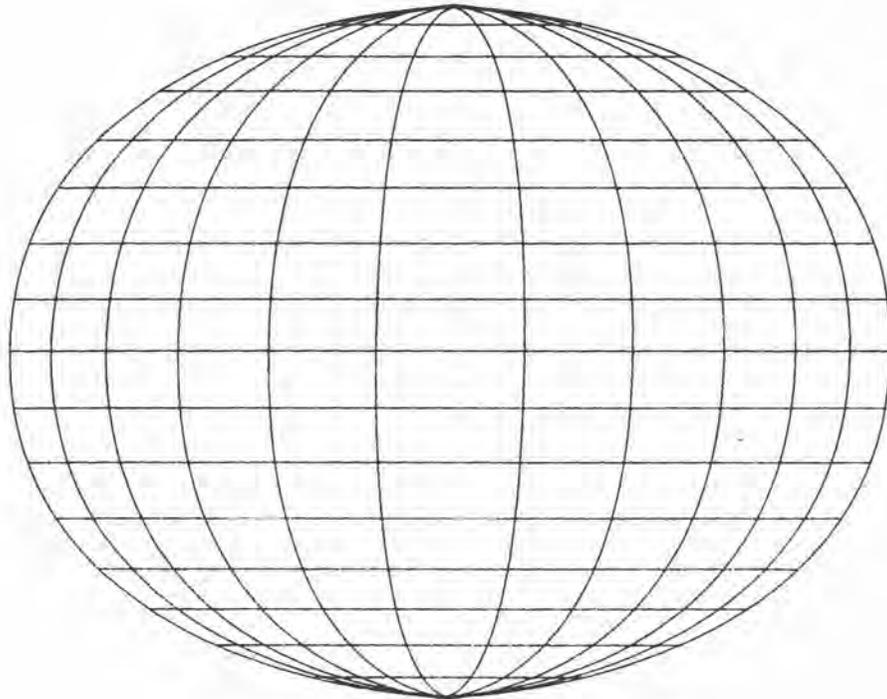


Report of Investigation

██████████
United Nations Development Program (UNDP)



Sensitive But Unclassified

**OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

REPORT OF INVESTIGATION

Case Title: United Nations Development Program (UNDP)

Case Number: [REDACTED]

Status: Closed

Period of Investigation: 08/06/07-05/16/08

OIG/I Office: Manila

Synopsis:

USAID Agreement No. 306-A-00-03-00509-00, Quick Impact Projects (QIP), a \$25.6 million cooperative agreement to build small-scale infrastructure projects throughout Afghanistan, was signed on 9/30/03 and ended on 12/31/06. Pursuant to this agreement, the United Nations Development Program (UNDP) subcontracted 100% of these projects to the United Nations Office for Project Services (UNOPS). UNOPS then subcontracted the projects to local contractors. On 8/1/07, an anonymous complainant contacted the Regional Inspector General, Investigations (RIG/I), Manila office to convey allegations of abuse by the UN. Allegations provided included:

- In spite of being told in writing that UNDP could only bill "nominal" close out costs after 12/31/06, UNOPS claimed to expend \$1.7 million in 2007. UNDP inexplicably drew \$5.1 million from its USAID letter of credit (LOC) in 5/07 and then another \$1.9 million.
- UNDP and UNOPS staff are unwilling to meet with USAID to explain the draw downs.
- Projects worked by UNOPS were not completed as claimed and others have defects and warranty issues that UNDP refuses to address. There are numerous design errors, neglected repairs and uninstalled equipment and materials – all of which was billed as complete. Some incomplete work includes life-threatening oversights on a bridge and several buildings. Building parts are missing from some sites.

The investigation largely substantiated these allegations. RIG site visits in the city of Qalat revealed examples of QIP projects which were reported to USAID as "complete" when in fact the structures contained significant deficiencies, oftentimes rendering the projects unusable.

Little support documentation was provided to USAID from UNOPS or UNDP. Local contractors were initially to be paid 90% of their contracts; the final retention payment was to be paid after the warranty period expired and any outstanding issues were addressed. Insufficient documentation was provided to the Mission which rendered it impossible to ascertain if these final 10% payments were paid, as claimed, and if so, if they were paid after the warranty periods expired or before.

REPORT MADE BY:

Name: SA

Signature:

Date Signed:

6/20/08

APPROVING OFFICIAL:

Name:

Signature:

Date Signed:

6/22/08

Documents requested by the Agency and by this office were never furnished by the UN offices. Bills of Quantities (BOQ), for example, list the number of items used in all projects. US Army Corps of Engineers (ACE) personnel assigned to monitor these projects could have used these documents to compare the number of all items listed (door knobs, sinks, etc.) with the count they took at each site, the reconciliation of which would determine if the government had been overcharged for material. This task remains undone.

The investigation confirmed that UNDP withdrew an approximate total of \$6,706,242 in 2007 – after the project ended and without consultation with USAID. A UNDP official advised in several emails to the Mission that these withdrawals covered expenditures incurred prior to 12/31/06. However, no support for this was provided. UNOPS provided a letter accounting for approximately \$1.9 million of the amount drawn in 2007, including over \$175,000 in fees. According to the UNOPS Advisor to the Director who drafted this letter, it completed the QIP cost accounting. He was unaware of additional UNDP draw downs. Over \$1 million of the expenses identified in the letter constituted transfers of funds back to other United Nations projects that had been “loaned” to the QIP. United Nations officials have acknowledged that the UN participated in a system in which millions of dollars were systemically transferred to and from USAID projects without the knowledge or consent of USAID.

Interviews with USAID/Afghanistan and UN staff (both current and former) and document reviews revealed that the United Nations’ financial systems were inadequate for this project. The UN was uninformed regarding how much it had drawn from the LOC and how much it had spent on the project. Attempts to ascertain how much was loaned from other projects or paid back proved fruitless and are on-going. Nevertheless, the Final Project Report from UNOPS and UNDP, received by the Mission on 6/4/07, indicates a total expenditure of \$25,652,473.04 – exactly \$0.04 more than the USAID obligated amount for the QIP. This would be a feat of precision spending and accounting for any contractor, particularly one working in a challenging environment such as Afghanistan. However, as of 6/30/07, a full six months after the project ended, UNDP had only withdrawn \$24,706,242 from the letter of credit. By 12/31/07, one year after the award ended, \$946,231 still remained in the LOC.

Due to the refusal of the United Nations to cooperate with this investigation, questions remain unanswered. The UN enjoys broad immunity and the QIP, as written, allowed only for UN audits - not external or USAID audits, unless allowed by the UN. Though some UN officials agreed to be interviewed, others, notably including the UNDP Afghanistan Country Director, did not. Multiple official IG attempts to request documentation from the UN were ignored.

This case was worked provisionally with the Assistant United States Attorney’s Office for the Southern District of New York (SDNY) until 4/8/08 when the matter was declined in lieu of administrative action by USAID.

Details of Investigation:

An anonymous caller advised the Manila RIG/I on 8/1/07 that UNDP incurred \$1.7 million in expenses in 2007 in spite of being told in writing from the Mission that only nominal expenses could be incurred after the project ended on 12/31/06. The caller advised that \$5.1 million was withdrawn from the letter of credit (LOC) in the spring of 2007 and another withdrawal occurred soon after that. The caller advised that the projects were poorly executed and UNDP had been reluctant to provide support to the Mission to properly address these issues. (Attachment 1)

Lieutenant Colonel [REDACTED] Army Corps of Engineers (ACE), was interviewed on 8/2/07. He worked on the QIP since late 2006. He advised that a number of the UNDP's projects still had defects and warranty issues which UNDP refused to address. There were also claimed project costs which include work not performed and equipment and materials not installed. He advised that UNDP/OPS had refused to complete necessary repairs and walked off some projects, requiring other contractors to complete the work. (Attachment 2)

The case agent traveled to Afghanistan in 8/07. On 8/16, he interviewed [REDACTED] a civilian employee with the ACE and LTC [REDACTED]. They advised that in the city of Qalat alone, there were significant problems on numerous projects. The Tamak Bridge, if savable, would require about \$200,000 to fix. The Women's Center would need \$20,000; the Da Afghan Bank would require about \$25,000 and two district centers would each require some \$40,000 - though one of them may need to be scrapped altogether. The problems ranged from installation of windows so poor that water enters structures, to application of extremely poor engineering practices which render structures unsafe and unusable. The USAID/UNOPS Subproject Monitoring Reports constitute the only progress report received from UNDP or UNOPS on the more than 100 projects under the QIP. Much of the information therein is inaccurate, such as reporting projects, including those mentioned above, to be "complete."

They further explained that during the warranty period, if any problems were reported to UNOPS by USAID, UNOPS was responsible for fixing it. On many projects, UNOPS received a report of problems before the six month warranty period expired. In virtually every case, the necessary repairs were not undertaken. Further, 10% of each project's financing was supposed to be withheld until the warranty period ended or all repairs were completed. UNOPS paid itself and its contractors the full 100% before the warranty period expired.

[REDACTED] and [REDACTED] also advised that a BOQ is a list of materials and supplies to be used on a project. As the cognizant engineers, they were supposed to receive a copy of the BOQ for each project. This would tell them how many sinks, for example, were to be installed in a building and how much each would cost. Projects were undertaken between UNOPS and the local contractors on a cost plus fee basis. Without the BOQ, there was no way to know exactly what costs were incurred. (Attachment 3)

██████████ the QIP Cognizant Technical Officer (CTO), was also interviewed on 8/16/07. She advised that UNDP undertook an unusually small number of draw downs from the LOC and submitted too few certifications of proper use of funds (Forms 272). On 12/31/06, the day the agreement was to expire, she received a formal extension request from UNDP at 5:01 PM. [Note: the request was approved by Carlos Haddad, UNDP Country Director.] The request was rejected. From that moment, UNOPS took the attitude that the project was over and they were done. No one at USAID could get a UNOPS representative on the telephone. Emails were not responded to and they refused to meet. The UN even refused to provide requisite close out documents. In spite of her requests for BOQ data, the UNDP refused to provide it.

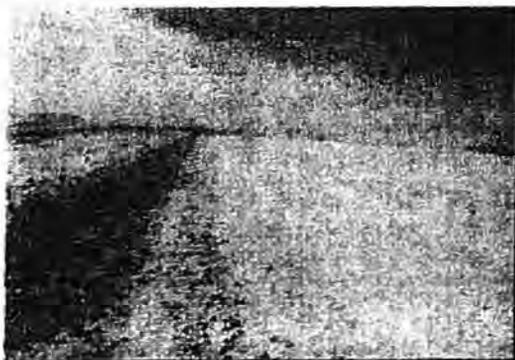
Toward the end of 5/07, after the UNDP withdrew remaining funds from the LOC, she attended a meeting with USAID personnel and UNDP staff, including Carlos Haddad. They provided AID with a final narrative report. Upon review of it, ██████████ found fault with much of the information contained therein. (Attachments 4 and 5)

██████████ the USAID/Afghanistan Deputy Controller, was interviewed on 8/18/07. He confirmed that the Mission received a report from UNDP indicating that \$1.792 million was spent on the QIP in 2007, purportedly for costs incurred in 2006. The UN resisted providing support documents and then resisted his visiting their office to interview people and look at original files. Eventually, the Mission received six binders and he was allowed to go to the UN offices. At the time of this interview, he was still undertaking his review. (Attachment 6)

On 8/20/07, LTC ██████████ was interviewed. He served in Afghanistan with the ACE and oversaw the QIP from 12/05 to 11/06. He learned from ██████████ UNOPS Project Manager, ██████████ that UNOPS was using USAID QIP funds for non-QIP projects, including building a new office in Dubai. There were many problems with the QIP until ██████████ took over, including missing paperwork, lack of requested information and a train of unresponsive project managers. Helseth fired ██████████ saying she was too close to AID. He thinks she was fired because she confronted him about misusing money and told him he had to return the \$1.5 million spent on another project. The Qalat airstrip was initially to cost around \$332,000. UNOPS said the data on the BOQ was wrong and the price went up to around \$600,000. He disagreed with that. The airstrip would have cost millions if they built it where they initially planned to. He had them move it to flat ground. ██████████ has monthly spreadsheets on this. They demonstrate that the UN ██████████ was short on funds. Bailey Bridge was another problem site. UNOPS spent \$2 million in parts and when he left no one knew where those parts were. Material was procured for three bridges but only one was built. (Attachment 7)

On 8/22/07 agents from the RIG Manila office conducted a site visit in Qalat, Zabul Province. The following was noted:

The Qalat Airstrip was originally budgeted at \$300,000. According to the ACE, the UN resisted repeated requests regarding site selection. The airstrip was supposed to be gravel and sufficiently drained to allow for a variety of uses, including by the US Military. LTC [REDACTED] gave UNOPS a runway design used by another contractor on May 14, 2006 because UNOPS was not providing one. After spending approximately \$749,000 on the airstrip, it was completed – unpaved, and little more than a dirt strip; the USAID design had been ignored. The US military once landed a C-130 transport but, according to the ACE, determined that high spots prevented continued usage. Consequently, C-130s have subsequently landed at the Kandahar airport, equipment then transported overland to Qalat.



According to the ACE, one side of the airstrip is approximately one foot higher than the other. A clay binding sealant was used as a stabilizer and the soil was not compacted. When it rains, the runway is unusable as it becomes saturated and rutty. It will always have settlement issues. There is a dirt berm on both sides of the strip which UNDP calls “drainage.” Side ditches were supposed to have been made with outlets. As there is no side drainage, erosion rills or ruts will continue to expand until they reach the runway itself, destroying it completely.

The Tarnak Bridge cost approximately \$250,000 and, while operable, is only open due to an outside infusion of work after the United Nations "completed" its construction. According to ACE – and UNOPS - engineers, the bridge is poorly sited and was designed too small for the site where it was built. These factors led to significant damage in 2006 (when these photos were taken; the bridge has subsequently been partially repaired by another contractor). UNOPS claims that the damage was pursuant to extreme flooding, however (as other photos and analysis by the ACE demonstrate) the water level may not have risen as high as UNOPS claimed.



According to the December 31, 2006 USAID/UNOPS Sub Project Monitoring Report emailed to the USAID/Kabul Mission by UNOPS, the Tarnak River Bridge was "100% completed" by 12/31/05.

By the time of the case agent's site visit, it was clear that significant work still needed to be done to make this bridge safe.



The Da Afghan Bank was built at a cost to the US taxpayer of approximately \$375,000. While it is currently in use, the wiring for a generator was never hooked up as UNDP did not complete electricity or plumbing. At the time of the RIG visit, electric cords from other energy sources were run to the bank for power. An extension cord from a small mobile generator powers computers. Windows were not sealed and leak. Poor site drainage, according to the ACE, led to continuous basement flooding. The vault is in the basement and stacks of local currency have been ruined from the water.

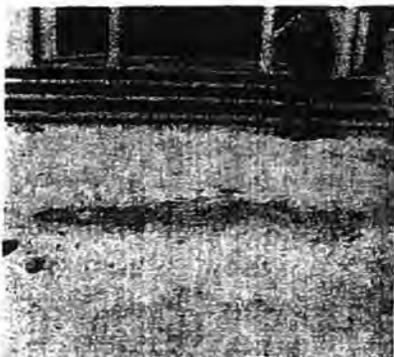


When this tree is watered, water runs to the bank and goes under the wall, down the stairs and into the vault. The manager built a clay dam at the base of the stairs in an unsuccessful attempt to stop this.

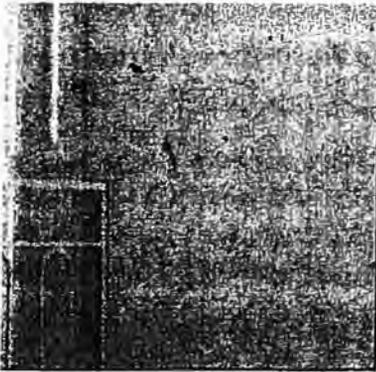
When it rains, water sinks into the building through the foundation, down the steps, to the vault. At the time of the RIG visit, water was seen to be rotting the walls through capillary action. UNOPS advised USAID in its December 31, 2006 Sub Project Monitoring Report that this project was "100% complete" as of November 15, 2006.



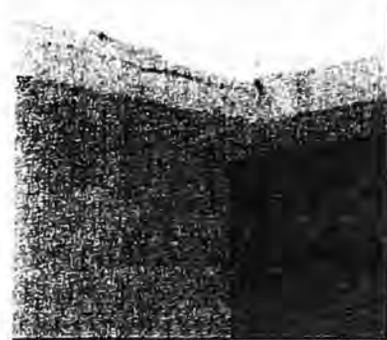
The Qalat Judicial Center was not being used at the time of the RIG visit. Billed to the QIP project, and thus to the US taxpayer, for more than \$344,000, it was replete with code violations and poor construction. The sidewalk was improperly installed; gravel or dirt with a smear of cement over the top provides the most superficial appearance of a sidewalk - until weather or slight prodding crumbles it. The walls, which should have received three coats of paint, received only one and were readily stripped of paint altogether at the touch. UNOPS reported in its emailed report that the building was 100% complete: "Final finishes in progress" by 11/7/06. Walls at the judicial center are cracked through, doors and fittings are falling apart. Poor site



drainage allows water to run toward the building. Part of the building is settling as there is no proper foundation. This is resulting in structural cracks.



UNDP was told on several occasions that it needed to bolster the structure where water tanks would be located as they can weigh up to 3 tons. The tanks were nevertheless placed on the roof off-line from beams or columns. Structure sections were thus vulnerable to collapse.



So little thought went into the design and construction of this building that a row of windows was built 6 inches from a wall. As seen here, the windows past the ledge face a wall and cannot be opened.

James Ahn served as USAID/Afghanistan Controller from 8/06-8/07. He was interviewed on 9/28/07. In the spring of 2007, he attended a meeting with the USAID CTO and UNDP at which the funding situation, specifically that there was still money in the I.O.C, was discussed. Soon after that, the UNDP withdrew most of the remaining money. His office tried to follow up with UNDP staff to ascertain the exact amount of the draws and what they were for, but no answers

were provided by the time he left Afghanistan. The Mission had a lot of trouble with UNDP and UNOPS, primarily with over-disbursements. He does not know what value UNDP provided to the QIP. It may have been involved because UNOPS could not open its own bank account. (Attachment 8)

██████████ was interviewed on 10/1/07. He is with the USAID Office of General Counsel and took two trips to Afghanistan in 1/06 and 5-6/07. During his second trip he attended a meeting with contracting staff who were concerned about money drawn by UNDP on its QIP cooperative agreement after the award had ended. There was also a meeting at the Mission with three UNDP representatives [including Haddad]. They said that the money drawn was solely for activities that had occurred prior to 12/31/06, the last day of the award and that the reason the money was drawn late was because they did not have their billing in order. He wanted to freeze the remaining money in the letter of credit. He spoke with the controller and deputy director about this. They did not like that option. So far as he was concerned, UNOPS did not demonstrate trustworthiness. (Attachment 9)

██████████ refused to be interviewed for months. After she refused email and telephonic contact in 8/07, the case agent went to her residence and left voice mail messages while in the Washington, DC area in 9/07. ██████████ remained unresponsive. In 10/07, additional attempts were made to interview her. (Attachment 10)

On 10/3/07 the case agent provided the SDNY Civil Division with a case summary. The Civil Division forwarded a copy to the Criminal Division. Thus began several months of emails, discussions and meetings about this matter that ultimately culminated in a declination from the SDNY on 4/7/08. (Attachments 11, 12)

On 10/26/07, the case agent conducted a review of PSC 272s/Federal Cash Transaction Reports submitted to HHS by UNDP to account for UNDP's QIP disbursements. According to the reports, \$2 million was disbursed in the second quarter of calendar year 2004. Thereafter, a total of \$18 million was disbursed in the last quarter of 2005, \$23,116,520 in the first quarter of 2007 and \$24,406,242 in the second quarter of 2007. The final 272 received was for the final quarter of 2007 and indicates that the UNDP fully disbursed this award. However, a system inquiry by IHS revealed that \$946,231 remains in the LOC - even though the UNDP indicated that it incurred all expenses on the 272.

All but the first 272 include the following certification: *I certify to the best of my knowledge and belief that this report is true in all respects and that all disbursements have been made for the purpose and conditions of the grant or agreement.* The certifications were electronically submitted by UNDP staff with titles such as Comptroller, Manager, and Treasurer. The total amount obligated for this award, according to the 272s, was \$25,652,473. (Attachment 13)

██████████ was interviewed on 11/5/07. He is CTO for the UNOPS Secondary Roads grant, a \$365 million road rehabilitation and construction project. He advised that UNOPS receives funding directly through a letter of credit. It always had its own bank account. According to ██████████ UNOPS purposefully understated its cost estimate to USAID and then ██████████ signed more contracts than it had budgeted for, assuming, correctly, that USAID would approve the extension rather than take the political heat for closing down a contract that was already underway. The grant was initially for \$18 million but UNOPS signed \$23 million in contracts. UNOPS later got another \$300 million added to its grant. UNOPS signed the subcontracts but another company, Louis Berger, did the daily oversight and monitoring. UNOPS then received 5.8% overhead – a lot of money for a little work.

UNOPS has admitted to him that it has terrible systems. Funds are commingled and UNOPS staff cannot clearly state how much it overspent. He has not received a financial report on the Southern Strategy (due monthly) since 6/07. In 2/07, UNOPS' Country Director, Mark Oviatt, reported that UNOPS had about \$5.9 million in "recoverables." This referred to Secondary Roads money that UNOPS had lent to other projects – without USAID's knowledge or permission. UNOPS advised that this was owed back to the project. A letter dated 5/1/07 from Wayne Curry, UNOPS Program Manager, later advised that \$2,209,000 had been recovered, however no additional details were provided. (Attachment 14)

Mark Oviatt, UNOPS Country Director, was interviewed on 11/11/07. He has heard about several problems with the QIP projects but added that there were some explanations. He said that initially even he did not realize that UNDP and not UNOPS had the QIP contract. The two UN agencies never signed a mutual contract and there was no guarantee that UNDP would pay UNOPS for its expenses. The project was overrun by \$2 million and UNOPS had to make up the shortfall. He said that UNOPS was "hung out to dry" by UNDP. He said he had "no idea" what value UNDP added to this project; going through UNDP made things more inefficient. He could not explain what donors got for the fees charged by UNDP. Until this meeting, Oviatt did not know that UNDP withdrew LOC funds in 2007. He also said that he did not remember signing the 7/1/07 letter to the Mission supporting 2007 expenditures. He said he was "flabbergasted" that the letter's attachment recorded over \$1 million in transfers to other projects. He advised that an audit was being conducted and findings regarding money transfers would be provided when completed. Oviatt was provided with a list of related documents requested by the RIG for review. No documents were received by the RIG. (Attachment 15)

Tushar Dighe is the Advisor to the UNOPS Country Director. He was interviewed on 11/12/07 and explained that when working with UNOPS, UNDP provides two functions: it looks at programmatic issues to determine if a proposed project fits in the UN strategy for that country and it manages funds. He did not know that UNDP withdrew funds in 2007 but he drafted the 7/1/07 letter signed by Oviatt regarding 2007 expenditures. Accounts to which QIP funds were transferred include Secondary Roads, UNOPS Admin Budget, and PRT New Zealand. These transfers served to repay money that UNOPS had to pull from other projects because UNDP was

slow in funding the QIP. USAID was never advised of these transfers. UNOPS received around \$2 million from UNDP in 2007. He does not know why additional funds would have been withdrawn from the LOC in 2007. (Attachment 16)

The 5/1/07 letter referenced by [REDACTED] from Wayne Curry, UNOPS Program Manager for USAID Secondary and District Roads, to USAID (Mark Oviatt among those copied) also updated construction progress. Curry wrote that, "As previously reported, UNOPS has made substantial progress implementing the USAID Secondary and District Roads Program. Given the successful program implementation to date, UNOPS is very reluctant to consider cancelling or de-scoping any ongoing road construction... At this time, UNOPS forecasts completion of all 94 km of Segment 1 by end of December 2007." (Attachment 17)

On 9/15/07, the Mission sent Curry a letter asking UNOPS to examine the following in a pending audit: cost overruns, procedures for inventory control, internal financial controls, accuracy of billings and voucher examination and payment to UNOPS subcontractors. (Attachment 18)

On 11/14/07, Mark Oviatt sent a letter to USAID advising that UNOPS was immediately suspending construction on Segment A of the Southern Task Force Road Project (part of Secondary Roads) due to insufficient funding. (Attachment 19)

[REDACTED] completed his review of the UNDP/UNOPS 2007 expenditures and filed a report to the Contracting Officer on 11/21/07. "Substantial amounts" of these expenditures were not allowable and/or not adequately supported. According to an accompanying spread sheet, \$1,569,158.15 of the \$1,725,611 in 2007 expenditures was questioned. (Attachment 20)

On 11/23/07, [REDACTED] was interviewed. He worked for UNOPS from 6/05 until 12/06 and managed the Secondary Roads project for most of that time. He called the project a "mess." Construction was six months behind schedule and finances were "out of control." No one knew what the costs were. The grant started at \$35 million and was increased to about \$200 million before he joined. When he started, the project was overcommitted by about \$80 million. He resigned because the UNOPS Country Director, Mark Oviatt, was "corrupt and a total buffoon." Oviatt selected his own guesthouse and used USAID grant money to renovate it. He paid for an armored vehicle and bodyguards the same way. Oviatt forced him to hire someone Oviatt knew from Iraq, [REDACTED] was not qualified and the best he could do was offer him a \$70,000 salary. Oviatt instructed him to hire [REDACTED] at \$140,000. [REDACTED]

According to [REDACTED] about \$10 million of USAID grant money went to projects in other countries, to include Sudan, Haiti, Sri Lanka and Dubai. This was done by Gary Helseth, Country Director before Oviatt. Helseth personally told him about these money transfers. Helseth wanted to set up a regional office in Dubai and he sent money there. UNOPS saw Secondary Roads as its cash cow. (Attachment 21)

██████████ was interviewed on 11/26/07. She served as Senior Program Support Officer for the Secondary Roads project from 4/06 and was departing soon. She said she was "completely disgusted with UNOPS." UNOPS made it a habit of conducting questionable financial practices and spent money freely whether it had the money in hand or not. Gary Helseth started the practice of moving money to and from other projects. She is aware of about \$6 million that went from Secondary Roads to other projects in and out of Afghanistan, including Dubai. (Attachment 22)

After multiple attempts to contact her, UNDP Afghanistan Assistant Country Director Sophia Baranes emailed the case agent on 12/4/07 advising that she was on leave, had no files and was not able to speak with the agent. She suggested the agent contact others at the UNDP, including Country Director Carlos Haddad, whom she copied on the email. On 12/12, the agent emailed the other person suggested, Eugena Song, UNDP Donor Relations Officer. Song never responded. (Attachment 23)

On 12/6/07 the case agent reviewed a copy of the *Report of the UNDP Office of Audit and Performance Review (OAPR) on internal audit services to UNOPS in 2006*. The overall rating of the Afghanistan Programme Implementation Facility was "partially satisfactory" except in the area of managing project budgets and expenditures, which was considered "deficient." A key issue was the incurring of expenditures in the absence or in excess of approved budgets. OAPR provided advice on the unreconciled difference in the inter-office vouchers between UNOPS and UNDP records. OAPR identified this balance as \$7.1 million, stating that it had decreased from the initial amount of \$69.6 million at the start of 2006. (Attachment 24)

(b) (7) (A) a former UNOPS project manager for the QIP, was interviewed on 12/11/07. He said the UNDP was a money holder for the QIP and opined that UNOPS would have been better off if it did everything itself. When he arrived, he identified a \$2.5 or \$3 million financial shortfall. This was the result of several factors, including expenses such as security personnel not being properly accounted for and confusion between expenditures and commitments as reported to AID. He reported this to AID. UNOPS contributed \$1 million and AID covered the rest. From his perspective, USAID got what it asked for on the project, including all relevant and requested paperwork. (Attachment 25)

Former USAID/Afghanistan Deputy Mission Director ██████████ was interviewed on 12/12/07. He opined that UNOPS overspent, committed money not allocated, left projects uncompleted and was unresponsive to complaints on projects they did complete. That said, USAID had no basis to question UNDP's 2007 draw downs, in spite of its questionable appearance and seeming lack of support. He believed that this project never should have been financed through an LOC. (Attachment 26)

In 9/07, the case agent established contact with Francois Dubois, UNDP OAPR. Dubois agreed to assist the OIG investigation any way he could. On 12/17/07 the agent made an official request to Dubois, asking for specific documents. In spite of several reminders from the case agent and occasional responses from Dubois, no information was received. (Attachment 27)

On 3/7/08, an email was sent to Carlos Haddad, requesting an interview. No response was received. On 3/16/08, the case agent called Haddad from Kabul and requested an in-person interview. Haddad refused, claiming that he had limited personal knowledge of the QIP. He asked instead that the agent email him a list of specific questions. The agent did this on the same day and followed up with the list of requested documents on 3/24. As of the date of this memo, none of the questions have been answered and no documents received. (Attachment 28)

After being served a federal grand jury for testimony by the SDNY, [REDACTED] agreed to be interviewed by the case agent on 3/25/08. She advised that she worked for UNOPS from 10/05-6/06, and served for some of that time as project manager of the QIP. She flew to Qalat two or three times and reported to her boss, Gary Helseth, that the airstrip and other projects were not progressing. The corrective plan was to re-bid the project however construction had not begun by the time of her departure. No one from UNOPS had been to Qalat to report on progress, yet reports were being completed and sent to AID as if visits were undertaken. When she reported on the "shocking" state of the Qalat airstrip, Helseth removed her predecessor and put her in charge. Possibly believing that she was not loyal to UNOPS, Helseth fired her; she never even received her final paycheck.

[REDACTED] also provided information about under the table payments made by her predecessor to the dean of a local school in which UNOPS was doing work. She stopped these payments. She was told that the payments were small and were not funded by AID. She thinks that Helseth approved the payments. (Attachment 29)

Defendants/Suspects:

United Nations Development Program
United Nations Office for Project Services

Undeveloped Leads:

None

Disposition of Evidence, Contraband or Personal Property:

None

Judicial and Administrative Actions:

SDNY Grand jury subpoena served on witness by SDNY. After service and interview, subpoena cancelled by AUSA. No copy provided to OIG.

Attachments:

1. MOI: Anonymous, 8/1/07
2. MOI: [REDACTED] 8/2/07
3. MOI: [REDACTED] 8/16/07
4. MOI: [REDACTED] 8/16/07
5. [REDACTED] Memorandum For Record, 6/12/07
6. MOI: [REDACTED] 8/16/07
7. MOI: [REDACTED] 8/20/07
8. MOI: Ahn, 9/28/07
9. MOI: [REDACTED] 10/1/07
10. Memo: Attempts to contact [REDACTED] 10/3/07
11. Referral memo to SDNY
12. Memo: SDNY declination, 5/13/08
13. RR: 272s, 10/26/07
14. MOI: [REDACTED] 11/5/07
15. MOI: Oviatt, 11/11/07
16. MOI: Dighe, 11/12/07
17. UNOPS letter to USAID Agreement Officer, 5/1/07
18. USAID letter to UNOPS, 9/15/07
19. UNOPS (Mark Oviatt) letter to USAID, 11/14/07
20. USAID/Afghanistan memorandum: 2007 Expenditure Review of UNDP/OPS PRT, 11/21/07
21. MOI: [REDACTED] 11/23/07
22. MOI: [REDACTED] /26/07
23. Memo: Attempts to contact UNDP Personnel, 6/20/08
24. RR: Report of the UNDP OAPR on Internal Audit Services to UNOPS in 2006, 12/6/07
25. MOI: [REDACTED] 12/11/07 [REDACTED]
26. MOI: [REDACTED] 12/12/07 [REDACTED]
27. Email with attachment from RIG/I to Francis Dubois, 12/17/07
28. Email with attachment from RIG/I to Carlos Haddad, 3/08
29. MOI: [REDACTED] 3/25/08

ATTACHMENT 1

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: August 1, 2007
Person Interviewed: Anonymous
Place of Interview: Telephonic – USAID/Afghanistan

On the above referenced date, an anonymous caller contacted the case agent telephonically. The caller requested strict confidentiality and identified him/herself as a USAID employee in Kabul. The caller stated the following, in substance:

The Quick Impact Program is a \$26 million cooperative agreement to do construction projects in different parts of Afghanistan. Two contractors, IOM and UNDP, are executing the award. UNDP subcontracted its award to UNOPS. UNOPS has done a terrible job both in the execution of the award and in responding to USAID's questions about its work.

The award ended on 12/31/06. The letter of credit (LOC) should have been closed at that time. A letter was sent from the Mission to UNDP in 12/06 advising that only nominal costs were allowed to be billed after 12/31/06. In 5/07, UNDP advised that it had incurred expenses of \$1.7 million in 2007. There was a discussion among USAID stakeholders, such as the controller, CTO, contracting officer and others. The discussion became heated as some wanted the LOC to be closed and others did not. In the end, the LOC remained open. Two days later, as if they knew it might soon be closed, the UNDP drew down \$5.1 million.

[REDACTED] Regional Contracting Officer, was told of this soon thereafter and was very upset. He ordered that the LOC be closed immediately. This was Jim Ahn's (Controller) responsibility. Ahn did not close it and within a couple days, UNDP withdrew the rest of the money in the LOC, about \$1.9 million.

UNDP has been reluctant to provide any information on the use of the money drawn, saying the UNOPS did the work. UNOPS has been saying that their contract is with UNDP, not USAID and refuses to explain what it did with the money.

Meanwhile, the projects themselves are a disaster. Many were left unfinished and some, including bridges, left in states of disrepair that are very dangerous. [REDACTED] is an Army Corps of Engineers engineer and has filed reports on this. He has been rebuked, as have others who have tried to close the LOC or hold UNDP/OPS accountable. This is a very political project and no one at high levels wants to hear about problems.

REPORT MADE BY:

Name:

Signature:

[REDACTED SIGNATURE]

Date Signed:

8/6/07

ATTACHMENT 2

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: August 2, 2007
Person Interviewed: LTC. [REDACTED]
Place of Interview: Telephonic – USAID/Afghanistan

On the above referenced date, Lieutenant Colonel [REDACTED] was contacted by the case agent. After being apprised of the identity of the case agent and the nature of the call, [REDACTED] stated the following, in substance:

He is with the Army Corps of Engineers and has worked on this project since on or about late 2006 when he took over from LTC [REDACTED]. The Quick Impact Project (QIP) has been beset with problems from the beginning. [REDACTED] can speak to that and so can he. He has filed numerous inspection and trip reports on the construction projects which have indicated serious structural problems.

A number of UNDP's projects still have defects and warranty issues which they refuse to address. There are also a number of project costs which include work not performed and equipment and materials not installed. There are a number of design errors. UNDP/OPS has refused to complete necessary repairs and has walked off some projects, necessitating another contractor to be engaged to complete repairs and save certain structures. UNOPS has a variety of excuses for the failures of its projects, including "flash flooding" which damaged one project. This falls between absolute incompetence and a lie; the project was improperly constructed.

He would very much like to meet with the case agent to show him his files and bring him to some of the construction projects personally. He can also provide the agent with a list of other people who should be contacted on this matter and will forward some of his reports for the agent to review before he arrives.

REPORT MADE BY:

Name:
Signature: [REDACTED]

Date Signed:

8/6/07

ATTACHMENT 3

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: August 16, 2007
Person Interviewed: [REDACTED] and [REDACTED]
Place of Interview: USAID/Afghanistan

On the above referenced date, [REDACTED] were interviewed at their desks located at the Café Compound Trailers, USAID/Kabul. The case agent officially identified himself, however he had already been in touch with both men telephonically and via email. [REDACTED] have worked closely on this project and were thus interviewed together. They stated the following in substance:

[REDACTED] Professional Engineer, Professional Geologist, is a civilian in the Army Corps of Engineers and arrived in Kabul in 1/06. He worked with Lieutenant Colonel [REDACTED] until [REDACTED] returned to Texas around 10/06. (b)(7)(D) a Civil Engineer, is a reservist in the Army Corps of Engineers and arrived in Kabul 12/06. They report to [REDACTED] the Director of the Office of Infrastructure, Engineering and Energy (OIEE). The projects they inspect are under the Provincial Reconstruction Team (PRT) Quick Impact Program (QIP). [REDACTED] was not involved with the PRT until they started to work for him. He has been receptive to their findings and concerns but he has been unable to successfully address them.

Their role is to review all designs and change orders and to inspect projects and final close out. When [REDACTED] arrived, the QIP was ending [QIP ended 12/31/06]. His job was primarily to assist in close outs.

UNOPS, which subcontracted under UNDP, had been exceptionally difficult to work with and inspect. Under their QIP cooperative (sub) agreement, UNOPS was to construct over 100 projects ranging from schools to bridges and roads. UNOPS subcontracted 100% of the work to local contractors. They were almost never consulted, did not receive change orders and found significant problems at every project they visited, which totaled around 65 or 70.

In the city of Qalat alone, there are significant problems with numerous projects. The Tarnak Bridge, if savable, would require about \$200,000 to fix. It is now in total disrepair and is unusable. The Women's Center would need \$20,000 to fix; the Da Afghan Bank would require about \$25,000 and two district centers would each require some \$40,000 though one of them may just need to be scrapped altogether. The problems ranged from

REPORT MADE BY: [REDACTED] Name: [REDACTED] Date Signed: 8/19/07
Signature: [REDACTED]

poor installation of windows so that water enters structures to application of extremely poor engineering practices which render a structure unsafe and unusable. At this point, other contractors such as DAI are being contracted to repair what can be salvaged.

After a project was completed, a warranty period would ensue. UNDP contracted with USAID for a warranty period of six months unless otherwise specified. UNOPS, however, then signed contracts with locals for only three months of warranty coverage. Some systems, such as bridges and generators, should have been warranted for a year, which is standard US and European engineering practice. That bit is not in the contract and is USAID's fault for not checking. During the warranty period, if any problems were reported to UNOPS by USAID, UNOPS was responsible for fixing it. In virtually every case, UNOPS received a report of problems before the UNDP-USAID six month warranty period expired. In virtually every case, the necessary repairs were not undertaken. Further, 10% of each project's financing was supposed to be withheld until the warranty period ended/all repairs were completed. UNOPS, they now know from data received, paid itself and its contractors the full 100% before the warranty period expired.

A bill of quantities (BOQ) is a list of materials and supplies to be used on a project. As the cognizant engineers, they were supposed to receive a copy of the BOQ for each project. This would tell them how many sinks, for example, were to be installed in a building and how much each would cost. Projects were undertaken between UNOPS and the local contractors on a cost plus fee basis. Without the BOQ, there was no way to know exactly what costs were incurred.

[REDACTED] was the UNOPS project manager when [REDACTED] arrived. He was let go in 3/06. [REDACTED] disliked him intensely and may have been involved in his termination.

Around 4/06, [REDACTED] took over as project manager. She is a US Army Captain and is a very "solid" individual. She wanted to get things done and tried to turn things around. She fired bad staff and put more people in the field. She started to get heat from her office around 5/06. [REDACTED] told [REDACTED] in 5/06 that OPS took \$1.5 million from the QIP for an office start up in Dubai. USAID Contracting Officer [REDACTED] confirmed that UNOPS took project money to be used as seed money for other projects. [REDACTED] also knows of UNOPS paying bribes to the dean of a school approximating \$800 – 1,000 per month. Gary Helseth, UNOPS Country Director, started to threaten [REDACTED] and would not allow her to leave Afghanistan. [REDACTED] a UNOPS Program Manager, soon pushed [REDACTED] aside and the project began to go downhill. She eventually resigned and is still owed about \$30,000 on her contract.

[REDACTED] (UK) represented UNOPS from 6/06 until about 12/06 as QIP Project manager. He was a "good guy" but simply could not get everything done. [REDACTED] had once mentioned to [REDACTED] that when he arrived to Kabul, UNOPS had \$3.8 million unaccounted for. They had terrible systems.

[REDACTED] provided the interviewing agent with a copy of the *25-Sep-06 and 31-Dec-06 USAID/UNOPS Sub Project Monitoring Reports*.

These reports constitute the only type of progress report received from UNDP or UNOPS on the more than 100 projects under the QIP. Much of the information in the reports is inaccurate, which they know, in part, from site visits. Most of the columns are self-explanatory. The *USAID Est. Cost.* comes from the USAID Field Program Officer. The BOQ should reflect the total cost of a project, including material, labor, equipment and fee. As UNDP subcontracted to UNOPS, UNOPS should have served as USAID's agent. It created a BOQ and should have then negotiated with the local contractor who submits an initial BOQ. Alternatively, UNOPS should have aimed to get the lowest competent bid possible. It is rumored that UNOPS gave the local contractors completed BOQs, eliminating the opportunity for price negotiation.

ATTACHMENT 4

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: August 16, 2007
Person Interviewed: [REDACTED] [REDACTED]
Place of Interview: USAID/Afghanistan

On the above referenced date, [REDACTED] [REDACTED] was interviewed at the Café Compound, on the USAID/Kabul complex. After being apprised of the official identity of the interviewing agent, she stated the following in substance:

She is the Cognizant Technical Officer (CTO) for the Quick Impact Program (QIP). She is a personal services contractor (PSC). This is her first direct contract with USAID; she arrived in Kabul on 12/6/06. Previously she worked for implementers, including UNDP in Kosovo. Her contract ends on 11/26/07 and she plans to leave.

In her opinion, the project was ill conceived from the beginning. This was a political idea – to do quick impact projects that would look good. It was designed to provide technical assistance, dig some wells and provide things like school books and desks. Projects were not meant to go above \$250,000. The Provincial Reconstruction Teams (PRT) are one of the few USAID/Afghanistan programs with staff, called Program Officers (PO), in the field. There are now 19 POs in Afghanistan. Assigned under the PRT, the QIP grew and soon became too big. Under it, they were building schools, bridges and courthouses. Pressure came from many places to expand the scope of the QIP: Washington, the embassy, the Military, and the Mission Director. Meanwhile, the implementers never said No and just took on more and more.

[REDACTED] was CTO as well as PRT Office Director when she arrived. [REDACTED] left around 12/15. From that time, she [REDACTED] was in charge of the office. [REDACTED] had a bad relationship with the then-Mission Director, [REDACTED], and his chief of staff, [REDACTED]. [REDACTED] had a Ph.D. in conflict mitigation but lacked field experience for the PRT and could not manage her 20 people, two tough agreements with UNDP and all the fights with management. She quit.

The UNDP's QIP started at around \$18 million and grew into the twenties. UNDP undertook very few draw downs on its letter of credit (LOC) – maybe five over three years, a "ridiculous" number. They would pile up a huge number of expenses and then do a big draw down. There are no vouchers required for this cooperative agreement and they have

REPORT MADE BY:

Name:
Signature:

[REDACTED SIGNATURE]

Date Signed:

8/19/07

not provided as many certifications of proper use of funds (on a Form 272) as required [they are to be submitted quarterly]. One of the problems with this has been the difficulty in tracking expenditures. Forms 269 and 272 should have gone to Washington. Few were submitted. Some went to Kabul.

In a meeting with UNOPS on 12/26/06, UNOPS representatives mentioned that they might want an extension to the project. She told them that if they wanted this they needed to make an official request. On 12/30 she went to [REDACTED] the USAID Contracting Officer (CO) at that time. [REDACTED] as against an extension. Deputy Mission Director [REDACTED] [REDACTED] was also against it. On 12/31/06, the day the agreement was to expire, she received a formal extension request from UNDP at 5:01 PM. The request was rejected. From that moment, UNOPS took the attitude that the project was over and they were done. No one at USAID could get a UNOPS representative on the telephone. Emails were not responded and they refused to meet. As they refused to provide requisite close out documents, she got [REDACTED] involved. He was supportive and signed a letter she drafted to UNDP.

In 1/07, she wrote a note to file on outstanding UNOPS issues. She was then called into [REDACTED] office with [REDACTED] and [REDACTED] the new CO. [REDACTED] gave the "girls" a "good ole boy" discussion about UNOPS doing good work in the south and said they should leave it alone. [REDACTED] seemed to be on [REDACTED] side. They didn't know what to do. [REDACTED] left soon thereafter and she [REDACTED], developed a working relationship with [REDACTED]. She mainly worked with [REDACTED] the contract negotiator, who is very competent.

On or about 2/19/07 she attended a meeting with UNOPS. [REDACTED] [REDACTED] and [REDACTED] represented USAID. Eugena Song and some others represented UNOPS. The meeting was almost laughable. Song did not know what a 272 was. This is one of the most basic USAID contracting documents. [REDACTED] was shocked. Song said she would have to check with her legal office to see if she was allowed to submit such a document.

UNDP refused to provide Bill of Quantities (BOQ) information, which is necessary to track project expenses. She asked; they would not comply. There was an understanding that cost changes needed to be tracked. Partners would bring her a document which included the anticipated cost, the actual cost and an explanation. UNDP didn't do this. She never saw such documents from them.

Around May, [REDACTED] learned that there was still around \$7 million in the UNDP letter of credit (LOC). She fully supported [REDACTED] position to close the LOC and possibly use the money to fix the projects. They needed a final financial statement from UNDP saying that no more costs had been incurred before the Mission front office would agree to close the LOC. The UNDP ignored both her and [REDACTED]. She and [REDACTED] tried to get [REDACTED] or [REDACTED] to send a letter. They never got a decisive response from them. They said, "yeah,

good idea," but never acted. [REDACTED] did eventually send a letter asking for it. The statement never arrived from UNDP

In 5/07, UNDP drew down about \$5.1 million from the still-open letter of credit. This caused a big stir in some quarters as the project ended 12/31 and only nominal costs were to have been incurred in 2007. Soon thereafter a meeting was held with her, [REDACTED], Jim Ahn (Controller), [REDACTED] [REDACTED] (Acting PRT Director), [REDACTED] and others. It was a long discussion. Ahn's and Rahmann's position was that the UNDP is a Public International Organization and further, USAID had limited oversight and limited rights under a cooperative agreement. Ahn said PIOs tended to get their bills in late, sometimes years late. [REDACTED] said there was still about \$2 million in the LOC and asked if they could close it. [REDACTED] and Ahn instructed that it be left open, in case more bills came in. A day or two later the UNDP withdrew the rest of the money.

At the end of 5/07, she did manage to have a higher level meeting with UNDP. Carlos Haddad and Sophie Baranes, two deputies, were very apologetic. They provided a final narrative report and they all had a good discussion. A representative from the USAID/Kabul Office of Financial Management later went to UNOPS to inspect their documents in support of these draw downs. Things were still tough, but better.

Upon receipt, [REDACTED] Army Corps of Engineers, tore the UNOPS final narrative apart. He found fault in seemingly every project reported. She was on leave when he reviewed it. [REDACTED], her boss, was new to this whole project and panicked when he saw [REDACTED] comments. A response to the UNOPS submission never went out. A response is a required part of close out. This is all administrative but remains an open issue. Meanwhile, UNDP's position is that it did not receive written comments on its project deficiencies. Before [REDACTED] and [REDACTED] arrived, this may have been done verbally.

There are many issues here. The USAID engineers - and others - say that the works are so poor, many cannot be used. The COs, [REDACTED] and [REDACTED], have a problem with the fact that the agreement was with UNDP, however UNOPS did all the work. Even that is not true, as the work was in fact subcontracted out to local companies. There is no clause in the file allowing subcontracting, though the agency knew it and no one acted. No quality control mechanism was followed.

Of all the problematic projects, the Tarnak Bridge in Qalat is the worst. It is a "disaster". But the project was approved by the AID engineers. Once problems arose, AID cried foul. UNOPS said they would fix it for a price but it was handed over. USAID and the locals accepted it.

ATTACHMENT 5



USAID AFGHANISTAN

FROM THE AMERICAN PEOPLE

12 June 2007

MEMORANDUM FOR RECORD

SUBJECT: United Nation's Office for Project Services (UNOPS) for the Quick Impact Program (QIP); project ID: UNDP QIP/PRT 306-A-00-03-00509-00

1. The following comments are provided in response to the final project report submitted by the United Nation's Office for Project Services (UNOPS) for the Quick Impact Program (QIP); project ID: UNDP QIP/PRT 306-A-00-03-00509-00.

a. Reference page 4, "Executive Summary", first sentence; and page 15, sub-paragraph "Limited coordination of partnerships between lead agencies". The cooperative agreement for the QIP program was between USAID and UNDP. The fact UNDP decided to utilize UNOPS as **THEIR** implementing partner to execute the engineering, design, and construction portion of their QIP responsibilities, for better or for worst, was a decision made by UNDP.

b. Reference Performance Review:

1) Page 7, sub-paragraph ii, Impact on direct and indirect beneficiaries. Not all of the projects listed in this final report were completed and a number of projects still have defects and warranty issues UNDP has refused to address. In addition, there are a number of project costs which include work that was not performed and equipment and materials that were not installed.

2) Page 8, sub-paragraph iv, Sustainability. Given USAID contributed 100% of the QIP funding, USAID now owns the remaining Swedish Bridge Parts. Where is the inventory for those remaining parts? As for the reference to sustainability, providing basic instruction on bridge maintenance to the local community for stone masonry structures is one thing and something they would more than likely understand. Completing repairs on a Class-60 steel-girder Swedish Bridge is another and I highly doubt the local community can complete any repairs outside of minor welding, painting, and riprap installation, assuming they even have the equipment to do so.

c. Reference page 9, Management Effectiveness Review:

1) Sub-paragraph i, Quality of Monitoring. If the UNOPS engineering staff completed inspections on a weekly basis why are they not able to provide USAID with the locations of all of their projects? Why haven't all their designs been signed and certified by a qualified and licensed professional engineer? Why are there still so many design flaws and warranty issues yet to be addressed? Why were projects constructed contrary to the design parameters?

OIEE/PRT

SUBJECT: United Nation's Office for Project Services (UNOPS) for the Quick Impact Program (QIP); project ID: UNDP QIP/PRT 306-A-00-03-00509-00

2) Page 10, sub-paragraph iv, Cost-effective use of inputs, paragraph 2. If concrete reinforced bridges would have been more cost effective and prudent, then why didn't UNDP specify their use? UNDP, in cooperation with their implementing partner, UNOPS, was responsible for determining, designing, and constructing the best and most cost effective bridge to be installed. That is what they were funded to do.

d. Reference page 11, Project Results Summary:

1) Third paragraph (incomplete sub-projects). The sub-projects identified in this report as PRTBYN012A, PRTQLT002, PRTQLT003, PRTQLT011, and PRTKDH005 are all incomplete but not listed. In addition, there exist a number of design errors and warranty issues remaining in these and other projects which UNDP has yet to address.

2) Page 12, Table 3: Buildings Constructed/Rehabilitated by the PRT-QIP (page 12).

a) The Department of Women's Affairs Building (PRTQLT002) still has a number of construction defects, engineering design errors, and warranty issues that need to be corrected.

b) The Courthouse/Prosecutor's Office (PRTQLT003) still has a number of construction defects, engineering design errors, and warranty issues that need to be corrected. In addition, some of the work paid for in this project such as sidewalks on the back of the facility were not installed.

c) The De Afghan Bank (PRTQLT011) still has a number of construction defects, engineering design errors, and warranty issues that need to be corrected.

d) Deficiency reports for these three structures were provided to the Contracting Officer, the CTO, UNDP, and UNOPS, and are available upon request.

3) Reference page 13, Table 5: Constructed/Rehabilitated Bridges.

a) The bridge listed under PRTBYN012A (Erection of Bailey Bridge at Shar-Naw, Waras, Bamyan) was never constructed. Due to a gross design error in the alignment of the abutments (sub-project PRTBYN012) it was physically impossible to install the bridge.

b) The bridge listed under PRTKDH005 (Erection of a concrete bridge at Tamak River, Qalat, Zabul) was not constructed as designed and without a hydraulic analysis ever being completed. The resulting gross construction errors led to the failure of the approaches and protection walls. To date, UNDP/UNOPS has failed to complete the necessary repairs and has walked away from the project. Another contractor is now being engaged to complete the repairs needed to save the structure and place it into service. A deficiency report detailing these issues was provided to the Contracting Officer, the CTO, UNDP, and UNOPS, and is available upon request.

OIEE/PRT

SUBJECT: United Nation's Office for Project Services (UNOPS) for the Quick Impact Program (QIP); project ID: UNDP QIP/PRT 306-A-00-03-00509-00

e. Reference page 15, Project Implementation Challenges:

1) Second paragraph, "Implementation of 'blue-print' non-context specific designs".

a) UNDP's program was supposed to take care of any and all A&E and construction work required in the implementation of the QIP program, to including the completion of all design, specification, BOQ, and certification requirements and that is exactly what UNDP was funded to do. The fact UNOPS' failed to do so was an internal matter for UNDP and UNOPS to sort out, not a matter for USAID to resolve. The role of the USAID engineers was simply to provide oversight and technical assistance to the CTO and Contracting Officer in approving projects and follow-on modifications, not to engage in performing engineering services for UNDP.

b) UNDP & UNOPS' engineering staff relied heavily on the use of standard architectural drawings which had numerous, and at times, significant design defects, including poor foundation designs and inadequate drainage requirements. These defects were pointed out to UNOPS on numerous occasions by the USAID engineers, both through design reviews and field inspections, and reported to the CTO and UNOPS in their trip/inspection reports. While some of the issues were addressed by UNOPS, many were not and remain as warranty issues to this day.

c) Oversight of all construction activities, the completion of standard field tests, and the completion of modifications as needed were the responsibility of UNDP, and again, that is what they were funded to do. However, many times oversight during construction operations was not conducted and few if any standard field tests were even performed. Modifications were at times negotiated between the contractor and the UNOPS field representative on site without approval of UNOPS' certifying design engineer or USAID, most of which lead to project creep, cost overruns, or both. And again, the fact UNDP passed their responsibilities for these activities on to UNOPS was an internal issue between those two organizations, not a matter for USAID.

2) Third paragraph, "Severe weather conditions". UNOPS' contention flash flooding damaged or destroyed the sub-project output of PRTKDH005 is absurd and falls between absolute incompetence and a lie. The "flash-flood" purported to be the cause of that structure's failure never rose above the elevation of the low bank or even topped the poorly design protection walls. The structure's failure was simply a matter of improper construction and UNOPS' failure to construct the structure as designed. As for the repair works alluded to in the last sentence of this paragraph, again, UNDP and their implementing partner, UNOPS, has walked away from this project and another contractor is now being engaged to complete the required repairs to bring the structure into serviceable condition.

3) Fourth paragraph, "Limited coordination of partnerships between lead agencies".
See paragraph 1.a. above.

4) Page 16, first paragraph, "Limited sub-contractor capacity and availability". The fact limited capacity existed in Afghanistan to complete modern infrastructure projects utilizing local contractors and materials was a given from the start and should not have been a surprise to UNDP. Given the more than apparent situation in the country, UNDP should have staffed up accordingly and planned for such, either by reducing design requirements to the

OIEE/PRT

SUBJECT: United Nation's Office for Project Services (UNOPS) for the Quick Impact Program (QIP); project ID: UNDP QIP/PRT 306-A-00-03-00509-00

basic capabilities local resources would allow for, or by gearing up their operations to allow them to adequately deliver the expected project outcomes they themselves were responsible for designing. USAID was not staffed to provide design and construction services to execute the UNDP's responsibilities under the QIP program, hence; the very purpose for entering into the cooperative agreement with UNDP. In all of UNDP's areas of responsibility, there were both good quality projects and poor quality projects. Those which proved to be of even fairly good quality resulted from good work using proven methods overseen by competent personnel. Those which resulted in poor quality projects were for the most part a simple matter of poor designs, utilizing poor material and construction techniques executed by unqualified personnel whose activities were not properly supervised, if at all. All of these factors were internal issues UNDP should have addressed and resolved. That is what they were funded to do.

2. Reference the two attached inventories, enclosures Encl-1 and Encl-2.

a. Reference item number 2 (Encl-1), Pin-panel; and item number 14 (Encl-2), MC307 Panel Pin - 201mm (CA371: 2.63 KG). These are in fact the same bridge components, the description provided in Encl-2 is simply the actual description taken from the Bailey Bridge Manual. According to Encl 1, UNDP/UNOPS break down for these items is as follows:

Number ordered	1,295
<u>Number deleted from order</u>	<u>- 430</u>
Remaining total	865
<u>Number installed on bridges</u>	<u>- 646</u>
Number remaining on-hand	219
Number on-hand in Kabul	219
<u>Number on-hand in Bamyan</u>	<u>+ 0</u>
Total on-hand	219

b. The date Encl-1 was submitted to USAID was 27 May 2007. On June 4, 2007, the USAID engineers conducted an inventory of Bailey bridge parts at the UNOPS yard in Bamyan, see Encl-2. At that time 337 panel pins were on hand, bringing into question either the number of bridges actually installed the need for such an excessive order, the accuracy of UNOPS' inventory, or all of these issues.


LTC, EN, USA
Senior PRT Engineer

Encls-2

ATTACHMENT 6

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP
Date of Interview: August 18, 2007
Person Interviewed: [REDACTED]
Place of Interview: USAID/Afghanistan

Case Number: [REDACTED]

On the above referenced date, [REDACTED] was interviewed at the Café Compound, on the USAID/Kabul complex. After being apprised of the official identity of the interviewing agent, he stated the following in substance:

He is the Deputy Controller. He arrived in Kabul on 2/3/07 to start a one-year assignment. He has been with USAID for seven years and was just Deputy Controller at USAID/Peru.

Jim Ahn, the former USAID/Kabul Controller, assigned him the Democracy and Governance and Provincial Reconstruction Team (PRT) activities. Around March or April he started going to meetings to familiarize himself with issues. He soon learned that the PRT Quick Impact Program needed to be closed but that [REDACTED] the contract negotiator, was having problems getting the needed documents. [REDACTED] was having trouble dealing with both UNDP and its subcontractor, UNOPS, and could not get the necessary forms from them.

He attended a couple meetings with Carlos Haddat and Sophie Baranes from UNDP. They said that their office was just behind and said that they did not want to rush and provide incorrect information. They added that they were waiting for their NY headquarters to approve documents. They accepted that UNDP had poor accounting systems.

Ahn communicated with the USAID Office of Financial Management (OFM) in Washington to get current letter of credit (LOC) information. That was how the Mission learned UNDP drew down some \$5 million after the award ended. [REDACTED] was concerned about this and related issues – possible fraud, incomplete paperwork, etc. She wanted to close the LOC. His understanding is that by the time Ahn got involved, all the money was drawn from the LOC. He has no knowledge of anyone specifically instructing that the LOC not be closed.

A final report received from UNDP in March or April indicated that \$1.792 million was spent on the project in 2007. Ahn instructed him to see if these expenditures were incurred before the project end date of 12/31/06, the only way the bulk would be considered allowable.

REPORT MADE BY:

Name:

Signature: [REDACTED]

Date Signed:

9/5/07

[REDACTED] dealt with getting binders from UNDP to support the 2007 disbursements. Mark Oviatt, UNOPS Country Director, was initially reluctant to provide anything. Once received, he ([REDACTED]) wanted an opportunity to review them. [REDACTED]; who served as Acting Controller for two weeks at the end of July, wanted him to go to UNOPS to interview people and check out their accounting system. Upon his return, Ahn concurred with [REDACTED]'s position that he go in person before having an opportunity to properly review the binders. Oviatt initially refused to let him come. He relented at [REDACTED]'s second request and he and [REDACTED] (b)(6) (b)(7)(c) USAID/Kabul OFM) went to UNOPS on 8/12/07.

He and [REDACTED] met with Tushar Dighe, the UNOPS Director of Accounting/Assistant to the Director. Dighe is a "sharp" guy. [REDACTED] (b)(6) (b)(7)(c); the Deputy Director and Sophie Baranes were also present. They were well received; UNOPS was "open." He asked for a lot of things, basically to try and understand their systems and reporting to UNOPS headquarters. No documents were provided; they said that they would provide them, however. At the time, the UNOPS headquarters was in New York. It is now moving to Europe, possibly Geneva.

The six binders, upon cursory review, seem to include explanations for all the costs expended in 2007. Documents include invoices from vendors, internal documents for approval and additional support. He expects to complete his review in early September.

ATTACHMENT 7

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: August 20, 2007
Person Interviewed: [REDACTED]
Place of Interview: Telephonic - [REDACTED]

On the above referenced date, [REDACTED] was interviewed telephonically from Fort Worth, TX. After being apprised of the official identity of the interviewing agent, he stated the following in substance:

He is a Department of Defense Construction Manager and a reservist. He served in Afghanistan with the Corps of Engineers from 12/05 until 11/06. He started under [REDACTED] By 7/06, he was [REDACTED] Alternate CTO.

[REDACTED] a UNOPS Project Manager, told him that UNOPS was using USAID OIP funds for non-OIP projects, including building a new office in Dubai. [REDACTED], who replaced [REDACTED] as CTO, spoke with Gary Helseth about UNOPS using money for non-QIP projects in his presence. This meeting was in June or July 2006. UNOPS had already over obligated by about \$1.5 million. LTC [REDACTED], his predecessor, oversaw that. He understood that [REDACTED] was going to allow UNDP an increase of \$1.5 million to cover the overage but [REDACTED] told him that [REDACTED] and Helseth made a deal to increase the amount by \$3 million to cover overhead.

[REDACTED] style was to keep everyone in the dark. No one was briefed or had input on her decisions. [REDACTED], who oversaw IOM for USAID and is now in the US, can advise about [REDACTED] covered for [REDACTED] when [REDACTED] was on leave. [REDACTED] was too close to UNOPS and too close to [REDACTED] the former Mission Director. He personally spoke to [REDACTED], the Deputy Mission Director, about [REDACTED] boyfriend was cutting deals with contractors. The two of them are now married. [REDACTED] said he would look into it.

[REDACTED] former USAID/Afghanistan Contracting Officer, also made deals with Helseth. Helseth would just say he needed more money and [REDACTED] would take care of it. He learned this from [REDACTED]

Things started to turn around when [REDACTED] took over. UNOPS started to hire good people and things improved. When [REDACTED] took over around 5/06, progress ended. Helseth fired [REDACTED]

REPORT MADE BY: [REDACTED] **Name:** [REDACTED] **Date Signed:** 9/6/07
Signature: [REDACTED]

[REDACTED] saying she was too close to AID. He thinks she was fired because she confronted him about misusing money and told him he had to return the \$1.5 million spent on another project. He knows nothing about kickbacks.

He did not get the requisite paperwork from UNOPS. They dragged their feet. They would tell him that projects had been fixed but would not say how. There was a train of unresponsive project managers - Vince L/N/U, Hans L/N/U - until [REDACTED] arrived. Then [REDACTED] when she left, things became difficult again. [REDACTED] was the next project manager. [REDACTED] He was more responsive than those before [REDACTED]. He, too, kept asking for more money. [REDACTED] may have given it, he does not know.

(b)(7)(C)

The Qalat airstrip was initially to cost around \$332,000. UNOPS said the data on the BOQ was wrong and the price went up to around \$600,000. He disagreed with that. The original cost was signed by [REDACTED]. [REDACTED] signed a lot of modifications. The airstrip would have cost millions if they built it where they initially planned to. He had them move it to flat ground. [REDACTED] has monthly spreadsheets on this. They demonstrate that they were short on funds.

Bailey Bridge is another problem site. UNOPS spent \$2 million in parts and when he left no one knew where those parts were. Material was procured for three bridges but only one was built.

People from USAID went out to the field who knew nothing about construction and making commitments. UNOPS took advantage of this. He told UNOPS, including Gary Helseth, many times that they could not make commitments in the field but they kept doing so with the approval of a USAID field rep who knew nothing about construction. UNOPS knew they would get more money because [REDACTED] just kept giving it to them. [REDACTED] and the female USAID field reps had lots of parties with UNOPS. He thought it inappropriate and never went to one.

ATTACHMENT 8

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: September 28, 2007
Person Interviewed: James Ahn
Place of Interview: Telephonic - [REDACTED]

On the above referenced date, James Ahn was interviewed telephonically from Northern Virginia. Already apprised of the official identity of the interviewing agent, Ahn stated the following in substance:

He served a Mission Controller at USAID/Kabul from 8/06 until 8/18/07. In the spring of 2007 he attended a meeting with UNDP and the USAID CTO or agreement officer at which time the funding situation was discussed, that is, that there was still money in the UNDP letter of credit. Very soon after that, UNDP withdrew most of the remaining money. He wanted to confirm the exact amount of the draw but does not believe he ever did.

He worked with [REDACTED], [REDACTED] and [REDACTED] on this. They tried to follow up with UNDP to get answers from them but by the time he left post, they had not gotten back to him. He told [REDACTED] the Contracting Officer (CO), [REDACTED], did not act; he didn't have a lot of experience. [REDACTED], the Regional CO in Bangkok, was copied on email traffic on this issue. [REDACTED] didn't give [REDACTED] lot of flexibility.

The Mission had a lot of trouble with UNDP and UNOPS, primarily with over-disbursements. The UN's position was that they were not overdisbursed. By October or November 2006, his office was questioning a bunch of their commitments. None of these were ADA violations because the money was not obligated, just committed.

As a result of these problems, they instituted changes in the way UNOPS was funded. On the UNOPS school construction program, it had to liquidate advances before it could get more money.

He thinks UNDP was involved in the QIP because UNOPS couldn't open a bank account.

He maintained all his emails and will forward them to the agent.

He is currently on home leave. He begins language training on 10/29/07. His next post will be Guatemala, though he may go to Iraq. His personal email is; [REDACTED] (7)(c)

REPORT MADE BY:

Name:
Signature:

Date Signed

10/4/07

ATTACHMENT 9

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: October 1, 2007
Person Interviewed: [REDACTED]
Place of Interview: Telephonic - [REDACTED]

On the above referenced date, [REDACTED] was interviewed telephonically from Nairobi, Kenya. After being apprised of the official identity of the interviewing agent, [REDACTED] stated the following, in substance: (b)(7)(C)

He is with the USAID Office of General Counsel and recently arrived in Kenya where he is serving as Regional Legal Advisor. Previously he served in Washington. From there, he took two TDYs to Afghanistan, in 1/06 and 5-6/07.

During his second trip he attended a meeting with contracting staff who were concerned about money drawn down by UNDP on its QIP cooperative agreement – after the award had ended. The Controller and Deputy Mission Director, among others, were there. There was also a meeting at the Mission with three UNDP representatives. They said that the money drawn was solely for activities that had occurred prior to 12/31/06, the last day of the award. They said that the reason the money was drawn late was because they did not have their billing in order.

He got the impression that UNDP did not appreciate the scope of the problem. [REDACTED] the CTO, advised him that numerous projects had not been completed though they were reported as completed in the UNDP's closeout report. (b)(7)(C)

He wanted to freeze the remaining money in the letter of credit, if that was even possible, after UNDP withdrew the money in 2007. He spoke with Jim Ahn [Controller] and [REDACTED] the Deputy Director, about this. They did not like that option. [REDACTED] felt they did not have enough leverage on UNDP but thought that leverage might be found elsewhere. The US Government had agreed to give UNDP additional money to cover past activities and he thought this might be withheld. In no way was the new money for UNDP, which was to come, he believes, through the State Department, to be construed as a license for any UN office to move USAID project money to non-award projects.

He was later told that another draw down occurred. He doesn't know anything else about that one.

REPORT MADE BY:

Name:

Signature:

Date Signed:

10/4/07

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He does not recall if he spoke with [REDACTED] the Regional Contracting Officer. If he did, [REDACTED] did not take a strong position on the matter. Other USAID programs, such as Education, were also giving UNOPS money at this time. He considered this to be a concern as UNOPS had not demonstrated its trustworthiness. He brought this up to [REDACTED], however [REDACTED] said that no one else had the capacity to do the work. Also, the Government of Afghanistan wanted to work with UNOPS.

ATTACHMENT 10

MEMO TO FILE

FROM: [REDACTED]

DATE: 6/20/08

CASE: [REDACTED]

RE: Attempts to contact [REDACTED]

On several occasions throughout this investigation, the reporting agent (RA) attempted to contact [REDACTED] a former employee of UNOPS who served as QIP project manager for that organization.

[REDACTED] was first contacted via email [REDACTED] on mid 8/07. She responded on 8/17 that she was willing to cooperate but wanted to know more about the investigation. The RA then sent a longer email to which [REDACTED] responded on 8/19. She wrote, in part, [REDACTED] that "previous program managers perhaps mishandled funds, but the PRT program was on its way to being closed/shut down when I took over for a short time. I had only started bringing the program back to a more stable way of being managed. I worked with [REDACTED] on what projects needed to be completed. Gary Helseth the UNOPS director for Afghanistan at the time was the authority on funding and transfer of funds. I believe he was working with USAID on completing and winding down the program after my departure. I know USAID/PRT wanted a complete understanding of how their money was spent. Gary Helseth I believe informed USAID of what and how he handled the UNDP/USAID funded program." [REDACTED] agreed to be interviewed in a week's time, after she completed a trip she was taking to Atlanta. She did not respond to future calls or emails.

[REDACTED] provided her cell phone number [REDACTED] on 8/30/07 and agree do be interviewed but messages were left and [REDACTED] never responded. After additional emails [REDACTED] from the RA [REDACTED] responded on 10/18/07 advising that she had been very busy and suffered a family death. She also wrote, that her "discovery of mismanaged projects was immediately brought to the attention of USAID to include [REDACTED], and his immediate supervisor. Once I informed USAID of wrongdoing on UNOPS part and my attempt to try and fix it. Gary Helseth had me released from the PRT program and I left Afghanistan rather quickly. I can answer what questions you may have, but certainly I do not want to get involved in a situation that I have no information [REDACTED] or cannot access."

[REDACTED] did not answer additional email attempts.

On 9/17/07, the RA and SA [REDACTED] went to [REDACTED] residence located at [REDACTED] [REDACTED] did not answer the door and did not respond to calls to her cell phone.

ATTACHMENT II

MEMO TO FILE

FROM: [REDACTED]

DATE: 10/25/07

CASE: [REDACTED]

RE: SDNY

The reporting agent (RA) has been in contact with the Southern District of New York (SDNY) with regard to this matter. While on TDY in Afghanistan, the RA contacted Affirmative Civil Enforcement Coordinator and Senior Litigation Counsel Sheila Gowan to inquire if the SDNY would consider a United Nations office as a possible target of investigation, considering its immunity protections. On 8/19/07, Gowan responded via email, advising that she did not see a problem proceeding with the target. Investigation continued with a flight to Qalat for site visits.

During the week of 9/17/07, the RA communicated telephonically with Gowan in regard to the service of an administrative IG subpoena on the UN for documents. Gowan conceded that the UN might not be obligated to comply with a subpoena and suggested that the RA contact a UN or UNDP investigator, in spite of the fact that such a position is not independent and would report to the UN. The RA accepted this advice, located and contacted Francis Dubois, Head of Investigations, UNDP Audit and Performance Review, tel: [REDACTED]. Mr. Dubois telephonically advised that he would help any way he could and then responded to an email from the case agent on 9/26/07 confirming his willingness to assist.

On 10/3/07 the RA asked Gowan if she would be interested in reviewing a developing summary of the case. Gowan responded in the affirmative and the RA provided her with the attached summary. On 10/20/07 Gowan advised that she forwarded the summary to Boyd Johnson, Chief of the SDNY Public Corruption Division (Criminal). The RA contacted Johnson the next day and Johnson advised that his office had other UN cases already underway and would evaluate the UNDP case summary. The RA advised that the summary was done for civil consideration and provided additional investigative details. The RA requested that a teleconference be held prior to 11/1/07, his last day in the office prior to departing for Kabul. At the time of this writing, a meeting had not yet been set up to discuss.



ATTACHMENT 12

MEMO TO FILE

FROM: [REDACTED]

DATE: 5/13/08

CASE: [REDACTED]

RE: SDNY Meetings

The reporting agent (RA) met with Southern District of New York (SDNY) Criminal Division Assistant United States Attorney (AUSA) Pablo Quinones in an SDNY conference room on 4/7/08. Also present for part of this meeting were AUSAs Sheila Gowan and Sean Cenawood of the SDNY Civil Division. This case was discussed. The Civil Division opined that it would not be able to go forward due to the immunity of the United Nations.

After Gowan and Cenawood left the meeting, Quinones and the RA met with Boyd Johnson, Chief of Public Corruption, later that day and the following day. After discussions, it was determined that the SDNY Criminal Division would not pursue this matter either, in lieu of administrative action by USAID.



ATTACHMENT 13

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

RECORDS REVIEW

Case Title: UNDP **Case Number:** [REDACTED]
Date of Review: October 26, 2007
Place of Review: RIG Manila

On 10/26/07 the reporting agent (RA) received a 31 page fax from ([REDACTED]), US Department of Health and Human Services (HHS), Division of Payment Management. The fax contained a series of PSC 272s, Federal Cash Transaction Reports, submitted to HHS by UNDP which the case agent had requested. The following was noted:

The 272s pertain to numerous UNDP awards, including that under investigation, 306A03050900. Signed signature pages are not included, however sheets indicating who prepared the reports are. Reports are submitted quarterly and are reflected in this memo as such.

04/01/04 – 06/30/04

New UNDP disbursements: missing sheet
Total expense reported for USAID QIP cooperative agreement: \$0
Cumulative UNDP QIP expenditure: \$2,000,000
Certification: missing
Cert by (unsigned name and title): missing
Submitted: missing
Information prepared by: [REDACTED], UNDP

07/01/04 – 09/30/04

New UNDP disbursements: \$3,115,312
Total expense reported for USAID QIP cooperative agreement: \$2,000,000
Cumulative UNDP QIP expenditure: \$2,000,000
Certification: *I certify to the best of my knowledge and belief that this report is true in all respects and that all disbursements have been made for the purpose and conditions of the grant or agreement [Standard].*
Cert by (unsigned name and title): ([REDACTED]) Comptroller
Submitted: 12/29/04
Information prepared by [REDACTED], UNDP

REPORT MADE BY:	Name:	SA [REDACTED]	Date Signed:
	Signature:	[REDACTED]	10/26/07

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10/01/05 – 12/31/05

Net UNDP disbursements: \$120,930,046

Total expense reported for USAID QIP cooperative agreement: \$2,000,000

Cumulative UNDP QIP Expenditure: \$18,000,000

Certification: Standard

Cert by (unsigned name and title): [REDACTED] Manager GACS

Submitted: 2/23/06

Information prepared by [REDACTED] UNDP

01/01/06 – 03/31/06

Net UNDP disbursements: \$2,810,981

QIP NOT LISTED

01/01/07 – 03/31/07

Net UNDP disbursements: \$81,813,748

Total expense reported for USAID QIP cooperative agreement: \$18,000,000

Cumulative USAID QIP expenditure: \$23,116,520

Certification: Standard

Cert by (unsigned name and title): [REDACTED] Manager GACS

Submitted 5/17/07

Information prepared by [REDACTED], UNDP

04/01/07-06/30/07

Net UNDP disbursements: \$10,370,969

Total expense reported for USAID QIP cooperative agreement: \$23,116,520

Cumulative USAID QIP expenditure: \$24,706,242

Authorized: \$25,652,473

Certification: Standard

Cert by (unsigned name and title): [REDACTED] Treasurer

Submitted: 08/03/07

Information prepared by [REDACTED] UNDP

NOTE:

On 4/23/08, the RA was advised by [REDACTED] that while the total authorized amount was \$25,652,473, the actual amount of funds drawn by the grantee was \$24,706,242. A report had been filed for the quarter ending 12/31/07 in which UNDP reported this award fully disbursed. However, \$946,231 remained on the award that the grantee has not requested even though they indicated that they incurred the expense on the 272 reporting.

ATTACHMENT 14

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: November 5, 2007
Person Interviewed: [REDACTED]
Place of Interview: USAID/Afghanistan

On the above referenced date, [REDACTED] was interviewed in the USAID Mission in Kabul. [REDACTED] was already familiar with the official identity of the interviewing agent from a meeting held to discuss similar topics on 8/18/07. [REDACTED] provided additional follow up in an email on 11/24/07. [REDACTED] stated the following, in substance:

He is a civil engineer and a personnel services contractor who arrived in Kabul in 9/06. He plans to be in Kabul for two years. Previously he spent two years on a USAID project in Sudan, five in Tanzania and two years in Honduras after Hurricane Mitch working on roads projects.

He is CTO for the UNOPS grant, the Secondary Roads Project, a \$365 million road rehabilitation and construction project made up of several sub-programs: Secondary Roads, District Center Roads, District Roads and Southern Strategy Roads. The original project was signed 2/5/04. It is now expected to end in 12/07. UNOPS receives funding through a letter of credit. It always had its own bank account. The construction work is subcontracted out.

UNOPS purposefully understated its cost estimate to USAID and then signed more contracts than it had budgeted for, assuming, correctly, that USAID would approve the extension rather than take the political heat for closing down a contract that was already underway.

Initially the grant was for \$18 million but UNOPS signed \$23 million in contracts. Louis Berger Group (LBG) had a \$700 million contract called REFS that was fast running out of money. They needed another \$300 million but it was too dicey politically to augment the LBG award which would make it a billion dollars without competition. Instead, UNOPS got another \$300 million added to its grant and LBG was to manage it and serve as its engineering firm. UNOPS was convenient because USAID can unilaterally increase a grant to an international public organization without competition or passing through extra layers of government scrutiny. UNOPS signed contracts with the subs but LBG did the daily oversight and monitoring. UNOPS then received 5.8 overhead – a lot of money for a little work.

REPORT MADE BY: Name: SA [REDACTED] **Date Signed:** 11/26/07
Signature: [REDACTED]

Around 10/06, UNOPS gave AID a warning about its cost overruns. Security and cost overruns were claiming an extra \$3-\$4 million. UNOPS asked if AID would pay or if it should cancel its subcontracts. AID paid about \$10 million in the end.

UNOPS itself admits that it has terrible systems. Funds are commingled and it cannot clearly state how much it has overspent. He has not received a financial report on the Southern Strategy (due monthly) since 6/07. In 6/07 UNOPS came in and asked if AID had obligated all the money for their project. They didn't know if they had even received the money for their own project! They were told "yes" – and then UNOPS asked for copies. The excuse was that the UNOPS headquarters had moved to Copenhagen and they now needed to provide that office with information.

In 2/07, UNOPS' Country Director Mark Oviatt reported that UNOPS had about \$5.9 million in "recoverables." This referred to Secondary Roads money that UNOPS had lent to other projects – without USAID's knowledge or permission. UNOPS advised that this was owed back to the project, however no additional information was provided, including confirmation of the amount or details regarding its content. A letter dated 5/1/07 from Wayne Curry, UNOPS Program Manager, later advised that \$2,209,000 had been recovered, however no additional details were provided.

[REDACTED] former UNOPS project manger who had improved matters before quitting, would know more about this. He was present with Oviatt when this was first raised. Gary Helseth was the head of all UNOPS programs in Afghanistan and worked out of Dubai. Rumor has it that the UNOPS CFO came to Kabul to look at this in mid 2006 and then Helseth was let go.

UNOPS has had problems with inventory control. That which was submitted was not complete. It was missing serial numbers, purchase prices, depreciation item conditions, etc.

UNOPS promised an internal audit for months but kept pushing it back. It is now supposed to start imminently.

ATTACHMENT 15

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number** [REDACTED]
Date of Interview: November 11, 2007
Person Interviewed: Mark Oviatt
Place of Interview: USAID/Afghanistan

On the above referenced date, Mark Oviatt was interviewed in the USAID Mission in Kabul. Also present for the duration of the interview and participating therein was Special Agent [REDACTED]. [REDACTED] After being apprised of the official identities of the agents, Oviatt stated the following, in substance:

He was raised by an "AID family." Before coming to Afghanistan he spent two years as a USAID contractor in Bangladesh. He came to Afghanistan as a UNOPS contractor in 10/06. On 1/1/07 he became country director.

He has KPMG doing an audit on the Secondary Roads project to address the rumors circulating about it, including that the reports were not timely or accurate and the construction was not happening fast enough or in accordance with the award. He will include a review of money transfers and forward findings to the RIG. He wants to help USAID but he also has responsibilities to the UN and its immunity.

He has heard about several other problems. The site for a bridge designed by the Minister of Public Works was moved by the local governor. It was relocated but not redesigned and then a "100 year flood" washed the embankment away. The sound room at an air force base could not get done because subcontractors could not get on the base due to clearance issues. PRT [Provincial Reconstruction Team advisor] [REDACTED] said she would get the contractor in to complete the job but he is not sure what happened. Projects in a remote area were designed by people who did not realize how inaccessible that place is. Conditions are impossible; one needs to use burros on foot paths.

He did not realize initially that the Quick Impact Program [QIP] was awarded to UNDP, not UNOPS. He realized when he became director and asked for a list of all contracts. UNOPS and UNDP never signed a contract. There was no guarantee that UNDP would pay UNOPS. The project was overrun by \$2 million and UNOPS made up the shortfall. UNOPS was "hung out to dry" by UNDP. UNOPS is the only non-core funded United Nations agency; it gets no backing from the UN. "We eat what we kill." He believes that all the relevant UNDP personnel are no longer in country.

REPORT MADE BY: Name: SA [REDACTED] **Date Signed:** 11/21/07
Signature: [REDACTED]

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He has “no idea” what UNDP did for this project; everything was done by UNOPS. Going through UNDP made it more inefficient. UNOPS did not owe USAID reports or information – it only owed that to UNDP. He heard that UNDP staff had asked UNOPS personnel why they were giving documents to USAID.

He has asked other donors why they are going through UNDP. The Spanish Ambassador told him it was because they were conveniently located in New York. UNDP charges a 7% fee. He is not sure what the donors are getting for that 7%. He prefers donors deal directly with UNOPS. That is more efficient and they can save their 7%.

He and all his employees have local bank accounts at Standard Charter Bank. One needs cash in a cash economy like Afghanistan. Money is received by bank transfer. UNOPS could not open an account here. Now, however, an account was opened for the Schools project. He had a meeting with AID to discuss this. UNOPS is getting three month advance funding. This is a great way to control funds. [REDACTED], the UNOPS Director of Finance, will open the first account for a specific project that UNOPS has ever had. He has no idea why this wasn't done for the QIP.

At this point, the interviewing agent produced a spread sheet for Oviatt to review. At the top it is labeled: *31-Dec-06 USAID/UNOPS Sub Project Monitoring Report*.

He has never seen such a report before. He may have forwarded it to AID but he did not review it. He does not recognize it. However, now that he is seeing it, it “looks great.”

His definition of a “complete” project is when someone, a stakeholder, signs off on it. That may or may not equate to full compliance with the award. He presumes UNOPS has the same definition. He does not know what the project warranty period means or how long it is. He will find out. He believes that it starts at the end date of the project. It is typically six to twelve months. He is not sure how long it was for the QIP. Generally retention payments are made at the end of the warranty period.

Gary Helseth was country director before him. He is retired and is leaving Afghanistan tomorrow. Helseth is a US citizen with property in Australia. His email may be [REDACTED]

[REDACTED] is the project support officer for a USAID project. She also works on World Bank projects. She was brought in to close out the PRT work. Her mobile number is [REDACTED]

He did not know that UNDP drew money down from the letter of credit in 2007 – after the QIP award was over. [REDACTED] the former USAID Deputy Mission Director, asked him in the spring of this year why UNDP had not drawn down money from the account when there was a shortfall on the elections project. Perhaps money was taken for that? He

doesn't know. He did tell [REDACTED] who is a very senior person at UNDP, now in Sudan. [REDACTED] then met with [REDACTED] Perhaps she issued orders to draw the money after that meeting.

The UN is bad at accounting for receivables. When he first came on board, he heard that Helseth and [REDACTED] signed a document guaranteeing that no money from the Roads project would be used to shore up any PRT shortfall. She had been concerned that money would be moved for that.

At this point the interviewing agent produced a copy of a letter with attachments from Oviatt on UNOPS letterhead, dated 7/1/07, addressed to [REDACTED], Senior Acquisition and Assistance Specialist, USAID/Afghanistan.

He does not remember the letter. It is his signature, however. He is "flabbergasted" that the attachment records over \$1 million in transfers to other projects. He hasn't "the foggiest idea" about money moving in or out of the Secondary Roads project. He will ask [REDACTED] who became his Deputy Director in July or August 2007. His (Oviatt's) involvement with the Secondary Roads project is limited. He never heard of any USAID funds being used outside Afghanistan.

He will provide the case agent with a name of someone at UNDP who can explain how the rest of the 2007 UNDP draw down was spent.

[REDACTED], the former UNOPS program manager, resigned in 1/07. [REDACTED] had no faith in his (Oviatt's) management skills. He left Afghanistan on 2/14/07. UNOPS had no project manager until Wayne Curry filled that position in May or April 2007.

He did tell [REDACTED], [QIP CTO for USAID] and [REDACTED] [USAID/Afghanistan Chief of Staff] that UNOPS would fix the Tarnak Bridge. He is not sure what happened. The last he heard, USAID told UNOPS to stand down. DAI was to subcontract CADG to repair it.

He wants the agents to appreciate that due to the immunity of the UN, he is not obligated to provide any of this information or documentation.

He stated: "I am the most powerful man in Afghanistan. In Afghanistan Development."

ATTACHMENT 16

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: November 12, 2007
Person Interviewed: Tushar Dighe and [REDACTED]
Place of Interview: UNOPS/Afghanistan

On the above referenced date, Tushar Dighe was interviewed in UNOPS office space in Kabul. Also present for the duration of the interview and participating therein was Special Agent ([REDACTED]) and ([REDACTED]) of UNOPS. After being apprised of the official identities of the agents, Dighe stated the following, in substance:

He is the Advisor to the UNOPS Country Director. [REDACTED] is a project support officer and served in this capacity for the QIP from 7/05.

UNOPS and UNDP used to be one organization. It was reorganized in 1997 and UNOPS became the implementer, serving UN bodies and assisting governments. UNDP remained focused on development. When UNOPS came to Afghanistan in 2003, UNDP was already there. When the two organizations work together, UNDP does two things: It looks at programmatic issues and determines if a proposed project fits in the UN strategy for that country. It also conducts funds management.

UNDP headquarters in New York is responsible for letter of credit draw downs. He did not know that funds were drawn down in 2007. He does not know if UNOPS could open a bank account when the QIP was signed. [REDACTED] counterpart at the UNDP, sent him reports on financial accruals and progress and implementation.

He drafted the 7/1/07 letter from Mark Oviatt to [REDACTED] USAID, regarding 2007 expenditures. Project numbers referenced for money transfers are: 33267 which is Secondary Roads; 54311, UNOPS Administrative Budget; and 41500, PRT New Zealand. [REDACTED] prepared the money to be transferred, attached the supporting documents and identified the type of transaction. The country director or deputy country director approved the transfers. Signatures of approvals are in the attachments that were provided to USAID as support for the 7/1/07 letter.

He had no authority to send the 7/1/07 letter as UNOPS does not have an agreement with USAID under QIP; however, as they are client oriented, UNOPS decided to do it. The documents provided show that the monies transferred actually went from other projects to

REPORT MADE BY: Name: SA [REDACTED] **Date Signed:**
Signature: [REDACTED] **11/23/07**

the QIP initially and those monies were now being repaid to those other projects. UNDP did not provide funding to UNOPS on a timely basis and UNOPS was thereby obligated to borrow funds from other sources in order to ensure that QIP project progress was unaffected. When UNOPS received the money from UNDP in 2007 – it received \$2 million and he does not know where any additional funds went if in fact more than that was drawn from the letter of credit – it repaid the other projects it had borrowed from. All this is in the support documents sent to the Mission. He “guarantees” that fees were not levied twice on these transfers, that is, charged when the money came in and again when it went out.

USAID was never advised or consulted regarding these fund transfers.

UNOPS, UNDP and UNFPA (Population Fund) all use the same accounting system of multiple accounts. They have an imprest system for cash payments. They received cash at the beginning of the month and booked it in the system. Project Delivery Reports (PDRs) reconcile expenses.

is the UNOPS Project Support Officer for the Secondary Roads award. Her mobile is . Money never should have come out of the Secondary Roads project. He is not sure what happened.

He had not heard that any of this project money might have gone to fund an office or project in Dubai. The United Nations has office space that is provided for free in Dubai.

A UN project is “complete” when the work is done, UNOPS regional engineers say it is done and the project is handed over. Retention fees are 10% and their length of time depends on the size of the project. If the project is big, more than \$100K, the retention period is one year; if it is small, less than \$100K, it is six months.

At the conclusion of the interview, the case agent asked if was available for an interview. Dighe said that she probably was and asked that the agent email him the following day to request a meeting. An email requesting a meeting was sent on 11/13. Later that day, Dighe responded. His email included the following passage:

I have checked with regarding her availability in the next couple of days to meet with you. Unfortunately, she has reported that it would not be possible for her to break away from her current duties during this period. As mentioned yesterday, the program is currently undergoing an audit and is engaged with providing the audit team with information they have requested. She is also engaged in conducting the cost-to-complete and other related financial analysis tasks that are required in the coming week.

was not interviewed.

ATTACHMENT 17

May 1, 2007

[REDACTED], Agreement Officer
USAID/Afghanistan
Kabul, Afghanistan

Reference:

1. Letter to [REDACTED] dated 16 April 2007; Financial Status Update and Estimate at Completion
2. Minutes of Meeting between USAID and UNOPS dated 16 April 2007
3. Email from [REDACTED] to [REDACTED] dated 17 April 2007
4. Letter to [REDACTED] dated 21 April 2007; Contractor Claims for Secondary Roads
5. Letter [REDACTED], STF Project Manager, to [REDACTED] dated 16 April 2007; Southern Strategy Roads Progress Analysis

SUBJECT: USAID Secondary and District Roads Program and Southern Task Force;
Revised Financial Status Update

Dear [REDACTED]

With regards to the above referenced correspondence and meeting, UNOPS has revised the Financial Status Update to address USAID's questions and comments.

As previously reported, UNOPS has made substantial progress implementing the USAID Secondary and District Road Program. Given the successful program implementation to date, UNOPS is very reluctant to consider cancelling or de-scoping any ongoing road construction. Furthermore, we are certain that USAID agrees with the need to achieve this development assistance objective. For these reasons, UNOPS has taken a close look at the assumptions regarding program support costs.

As required by Grant Modifications 14 and 15, UNOPS tracks the Southern Task Force (STF) portion of the program separately. Therefore, the two portions of the overall roads program are discussed separately below.

Secondary and District Roads (excluding STF)

The revised forecast for Secondary and District Roads is detailed by line item in Table 1 below. The total variance has been reduced from the previously reported \$32.3 million to approximately \$6.8 million, or only 2% of the original grant amount. The bulk of this overage continues to be associated with additional sub-project costs of \$6.6 million or 88% of the total variance. A significant portion of the additional sub-project cost is a result of Security costs which are approximately 40% higher than planned.

Table 1. Secondary & District Roads

	Description	Grant Award Value	Current Completion	Variance	Variance Ratio	Variance %
1	Personnel	\$ 11,959,682	\$ 15,542,151	\$ 3,582,469	30%	21%
2	Sub-Projects	\$ 260,442,317	\$ 276,874,903	\$ 16,432,586	6%	98%
3	Equipment	\$ 9,222,250	\$ 9,451,495	\$ 229,245	2%	1%
4	Operations	\$ 10,900,386	\$ 8,644,557	\$ (2,255,829)	-21%	-14%
5	Contingency	\$ -	\$ -	\$ -	-	0%
***	Program Recoverables	\$ -	\$ (2,209,000)	\$ (2,209,000)	-	-13%
6	F&A Total	\$ 18,475,365	\$ 19,390,574	\$ 915,209	5%	5%
***	Additional Funding for Secondary Roads Claims	\$ 9,855,990	\$ -	\$ (9,855,990)	-	-
	Grand Total	\$ 300,329,998	\$ 327,229,980	\$ 26,900,000	9%	9%

The reduced variance is a result of the following UNOPS actions and assumptions:

- USAID has indicated that additional funding totaling approximately \$9.8 million will be added to the Secondary Roads project to offset the cost of construction contractor claims approved by LBG. This amount has been added to the Grant Award Value for Sub-Projects.
- The additional funding set aside for UNOPS staff administrative oversight of the road maintenance period after December 2007 has been eliminated, at a cost savings of approximately \$3.3 million. The construction contractors will continue to be obligated by contract to provide these works; however, UNOPS staff will not be in a position to provide significant oversight.
- Air transport services after June 2007 will no longer be funded by UNOPS, resulting in a savings over the previous budget forecast of \$1.7 million. As previously presented to USAID, UNOPS believes that air support will be required through December 2007. It is understood that USAID plans to make this support available through other means, as the time lost and cost incurred due to inadequate air transportation to remote project areas cannot be underestimated.
- The original budget for operations included approximately \$2.3 million in construction contract retentions. These retentions have been subsequently costed against the construction contracts and are reflected under the Sub-Project line item. This value is reflected as a savings under operations.
- A total of approximately \$2.2 million of program recoverables have been credited by UNOPS back to the Secondary and District Roads Program.

- This revised budget does not include any contingency value, previously estimated at approximately \$6.4 million, or 15% of the cost-to-complete estimate. UNOPS has forecast cost and schedule; however, given the nature of works and security in Afghanistan, final costs cannot be known with certainty.

In addition to the above savings, UNOPS has identified an additional \$1.0 million in potential savings on operations and support costs. These include reducing the level of air transport through the end of the current contract, reducing the number of leased armored vehicles, and reducing personnel costs as the program winds down.

While this budget forecast contains less additional costs for personnel than the 16 April report, it still represents an overage of approximately 30% above the award value. A copy of UNOPS current staffing chart is attached for your information. As reflected on the chart, staffing levels are considered low for a program of this magnitude.

Based on current funding of \$311 million and cost-to-complete estimates provided above, UNOPS forecasts a funding shortfall by early July 2007. Assuming the Grant Award value is increased by \$9.86 million, as requested to offset contractor claims on the Secondary Roads project; UNOPS forecasts sufficient funding until September 2007. Opportunities for additional cost savings are discussed in further detail below.

Southern Task Force

At this time, UNOPS forecasts completion of all 94km of Segment 1 by end of December 2007. The progress analysis provided in the 16 April letter from the STF Project Manager to Rob Helmerick forecast completion in May 2008; however, the forecast was based on several worst-case outcomes that UNOPS is currently working to resolve. It should be noted that this schedule is dependent on UNOPS ability to sole source the current contractor and assumes a lack of further significant security incidents. Assuming a December 2007 completion date, costs should be within the original estimates for this segment.

Due to the recent fatal security incident along the Segment 2 alignment, an increase in the general security threat level, and other delays, completion of Segment 2 is currently forecast for September 2008. Even assuming that construction costs would be within the original estimate of approximately \$17 million, it is envisioned that this delay will impact on operations and support costs. In addition, it is anticipated that security costs would increase to address the higher threat. Considering a monthly burn-rate of approximately \$675,000 for support and operations, the additional nine months of effort would result in a forecast overage of approximately \$6.1 million.

As previously reported, the current construction estimate of \$17 million may be impacted by several factors, including: 1) an increase in materials costs; 2) need for additional culverts; 3) extended causeways; and 4) limited pool of contractors. In particular, the latter effect will probably have the greatest impact on costs. Due to the increased security threat and the reduced competition, construction contractors will likely charge a premium for these works. Offsetting these impacts is the reduced complexity of gravel roads. Further savings are realized by not designing for "future-proofing" as this allows for the reduction of the alignment width and the use of corrugated iron piping instead of reinforced concrete for culvert construction (based on this design decision, the roadway width for Segment 2 would

be consistent with Segment 1 at 8 meters). As the relative impact of these factors can not be determined at this time, the total impact to estimated construction costs cannot be forecast reliably.

In consideration of the cost, schedule, and security impacts discussed above, UNOPS-AGOC and USAID have initiated discussions of a way forward for completion of the STF Segment 2 scope of work. As discussed at the referenced meeting, UNOPS was directed to prepare alternative proposals for the Segment B scope of works. In response, UNOPS has developed a package of subprojects that will enhance the benefits of works completed on Segment 1 and also meet the objectives of projecting construction into the Segment 2 region. A detailed proposal will be provided to USAID shortly, but in summary, the package consists of three distinct subprojects:

- **Segment 1 to Segment 3 Connector:** UNOPS proposes to provide a connection from Segment 1 to Segment 3 alignment. This would include survey, design and construction of an additional 10km of asphalt road, providing connectivity from Kandahar to Spin Boldak.
- **Lura River Bridge and Link Road to Shinkay DCR:** The Lura River Bridge is located close to Shinkay, Zabul Province. A gravel causeway across the Lura River was completed by others in December 2006, but has since failed due to poor build quality and abnormal flooding. As a permanent solution, UNOPS proposes construction of a 98 meter reinforced concrete bridge. To improve the linkage between Qalat and Shinkay DCR, UNOPS also proposes a 6.2km gravel road between the bridge and the DCR.
- **Completion of the Shinkay DCR:** As per the original Scope of Works, UNOPS believes that the Shinkay DCR can be completed with the provision of additional security arrangements.

It is estimated that construction and security costs for this proposal would total approximately \$10.6 million, as detailed in Table 2. The construction schedule is forecast to be approximately eight months. Assuming construction could start by end of June 2007, the project could complete by February 2008. The construction cost savings would offset any additional operational and support costs.

Table 2. Alternative STF Proposal

Option	Generic Description	Construction Costs	Maintenance Costs	Security Costs	Total	Time to Complete
1	Lura River Bridge and Connecting Road to Shinkay DCR	\$ 1,783,860.28	\$ 8,292.72	\$ 1,670,625.00	\$ 3,462,778.00	240 days
2	Shinkay DCR	\$ 1,119,136.82	\$ 12,660.47	\$ 1,643,125.00	\$ 2,774,922.29	110 days
3	Connect Segment 1 with Segment 3	\$ 2,998,996.00	\$ 14,597.44	\$ 1,372,030.00	\$ 4,385,623.44	90 days
	Total	\$ 5,901,993.10	\$ 35,550.64	\$ 4,685,780.00	\$ 10,623,323.74	240 days

Based on this construction estimate, this proposal could result in cost savings of approximately \$6.4 million compared to the original scope of works. In addition, UNOPS

could realize additional cost savings on the order of \$1.0 million assuming that the Lura River Bridge and Shinkay DCR work could be completed concurrently. Savings would result from shared security resources.

Based on the above, it is estimated that the proposed rescoping of the STF Segment 2 would result in savings sufficient to offset additional costs on the Secondary and District Roads program.

In addition to the above financial update, please find attached copy of the UNOPS staffing charts and a breakdown of the District Centre Roads project as requested at our last meeting. We look forward to discussing our program with you in further detail. Meanwhile, please let me know if you have any questions.

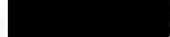
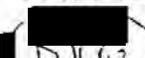
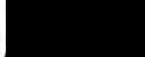
Sincerely,

Wayne Curry, Program Manager
USAID Secondary and District Roads
Afghanistan Operations Centre
United Nations Office for Project Services

Attachments:

1. UNOPS Secondary and District Roads Staffing Plan
2. District Centre Roads Summary

cc:

 USAID Chief of OIEE
 USAID Head of Roads
 USAID Senior A&A Specialist
 USAID CTO
Mark Oviatt, UNOPS Country Director
Wayne Curry, UNOPS Program Manager
 UNOPS Deputy Program Manager
 UNOPS Chief of Staff
 UNOPS Operations Engineer
 UNOPS Procurement
 UNOPS Program Support Officer

ATTACHMENT 18



USAID | AFGHANISTAN

FROM THE AMERICAN PEOPLE

Office of Acquisition and Assistance

15 September 2007

Wayne Curry, Program Manager
USAID Secondary and District Roads
United Nations Office for Project Services (UNOPS)
Afghanistan Operations Center (AGOC)
House No. 30, A & B, Park Pump Station Street
Share-E-Naw, Kabul, Afghanistan

Subject: Status Update to USAID Grant No. 306-G-00-00-04-00515-00

Reference: 1 UNOPS (W Curry) email to USAID, dated 8/13/07.
2. USAID [redacted] follow up emails dated 9/3 & 9/12/07

Dear Mr. Curry,

I appreciate UNOPS' initiative to call for an audit of the subject Grant.

As a reminder, and because USAID is the sole contributor under this program, it is requested that UNOPS consider examining and reporting findings on the following issues:

1. Cost overruns associated with Segment B of the Southern Strategy Roads;
2. Procedures for inventory control, reporting and disposition (disposal and/or transfer);
3. Internal financial controls as they relate to UNOPS' home office and field office;
4. UNOPS field procurement procedures;
5. Discerning the accuracy and reliability of UNOPS billings to USAID for the full period of the Grant;
6. Voucher examination and payment of UNOPS field subcontractors

UNOPS shall provide a full copy of the final audit report to my attention soon after it is available.

I would also like to take this opportunity to remind UNOPS to comply with the all "Reporting Requirements" under the Grant including reporting requirements related to the Southern Strategy Roads Program added in Modification 15 to the Grant.

Let me know if you want to sit and discuss any of this or if anything needs further clarification.

Sincerely,
[redacted]
[redacted]
[redacted]
Agreement Officer

CC: [redacted]
M. Oviatt [redacted] UNOPS

U.S. Agency for International Development
Great Massoud Road
Kabul
Afghanistan

Tel (202) 216-6288
Fax (202) 216-6288 ext 4162
http://www.usaid.gov/locations/asia_near_east/afghanistan

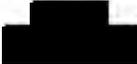
ATTACHMENT 19

November 14, 2007


Agreement Officer
Office of Acquisition and Assistance
USAID/Afghanistan
6180 Kabul Place
Dulles, VA 20523

Reference: USAID Grant No. 306-G-00-00-04-00515-00
Secondary, District and Southern Task Force Roads Program

Subject: Notice of Suspension of Construction Work on Segment A (45 to 79 km
Section)

Dear 

The United Nations Office for Project Services (UNOPS) hereby provides notification that we have issued an order to our contractor, SAITA, to immediately suspend construction work on Segment A (45 to 79 km section) of the Southern Task Force Road Project near Kandahar. The suspension of work is effective as of this date.

The reasons for the suspension of work are as follows:

UNOPS AGOC has been undergoing a detailed budget review of the entire Grant Program with specific emphasis on the STF Project and has found it necessary to immediately suspend construction operations on Segment A. In depth accounting scrutiny is ongoing and initial indications are there is insufficient funding to continue works on this project with certain exceptions mentioned below and or to allow for adequate funding to meet anticipated claim amounts. This work is suspended in accord with our Grant Agreement which precludes UNOPS from entering into financial obligations beyond provided funding. Exceptions to suspension of works include continuation of minor works on the segment from 45 to 52.6 kilometers; detailed survey and design work of the 45 to 79 kilometer segment. These two exceptions have already been funded and thus this ongoing work will not incur further costs.

UNOPS has received additional claims of approximately \$21 million from contractors associated with the Provincial (Secondary) Roads Program. We are currently in the process of reviewing the claims and arriving at decisions regarding each of them. We estimate the valid claims may be between \$3 million and \$3.5 million. As you know, UNOPS AGOC inherited the responsibility of the Provincial Roads claims from LBG, but had no responsibility for the errors in construction management that resulted in the previously settled and now additional new claims.

Initial indications are that should USAID wish to complete Segment A, additional funding and time will be required to do so. UNOPS is also developing this data for USAID's review as well. The level of funding and time required to do so are yet to be developed and will require complete survey, design and development of a BOQ.

Our initial reviews show that although Segment A was originally planned to be firm/fixed price based on preliminary information provided by USAID. This information subsequently proved, in many cases, to be inaccurate. Due primarily to this situation and increasing threat levels along the alignment, as well as the inability to perform full alignment survey and design (again due to security), this project transformed into cost plus.

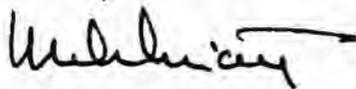
UNOPS will detail key events and circumstances we believe have led to this need to suspend works.

Please note that this suspension of works on the STF is not impacting the timely (on schedule) completion of the District Roads projects whatsoever.

UNOPS very much regrets the need for this current action to suspend works and respectfully requests USAID's concurrence for this action until such time as UNOPS can meet with USAID once preliminary financial and chronological data is developed.

Thank you.

Sincerely,



Mark D. Oviatt, Director
Afghanistan Operations Center
United Nations Office for Project Services



CC: USAID: [REDACTED]
UNOPS: ([REDACTED] Wayne Curry, [REDACTED])

ATTACHMENT 20



USAID | AFGHANISTAN

FROM THE AMERICAN PEOPLE

MEMORANDUM

To: [REDACTED], Contracting Officer

FROM: [REDACTED] USAID/Afghanistan, D/Controller

SUBJECT: 2007 Expenditure (Disbursement) Review of UNDP/UNOPS Provincial Reconstruction Team Quick Impact Projects (PRT/QIP) Cooperative Agreement No: 306-A-03-00509

DATE: November 21, 2007

I. BACKGROUND AND OBJECTIVES

At the request of the Sr. A&A Specialist, [REDACTED] (OAA) and with the concurrence of the Office of Acquisition and Assistance (OAA), the Office of Financial Management (OFM) conducted a review of 2007 Expenditures (Disbursements) of UNDP/UNOPS, which is a U.S. based P.I.O. with offices in Kabul, Afghanistan.

The main purposes of our review were to determine if 2007 Expenditures (Disbursements) in the amount of \$ 1,725,611.00 reported by UNDP/UNOPS were allowable costs under the agreement and were adequately supported by proper documentation.

II. SUMMARY RESULTS

Our review disclosed that substantial amounts of UNDP/UNOPS 2007 Expenditures (Disbursements) were not allowable costs, and/or were not adequately supported by proper documentation as indicated in Attachment 1 (worksheet). It is OFM's recommendation that a full independent audit be conducted as soon as possible to determine eligibility of expenditures for the entire agreement (9/30/03 – 12/31/06), and 2007 Expenditures (Disbursements) claimed by UNDP/UNOPS.



III. REVIEW FINDINGS

A. Organizational Structure

UNDP/UNOPS is a PIO that administers agreements with many international donors and has program and administrative/accounting staff to implement these programs, and signed this Cooperative Agreement on 9/30/03.

B. Operating Procedures

We noted that employees associated with this program are no longer available since this program was completed on 12/31/06 and a few employees remained throughout 2007 (last day worked was o/a 07/31/07) to wind down final payments and close-out activities. UNDP/UNOPS did provide us with most copies of 2007 Expenditures (Disbursements) detailed transactions, however, many support documents are still missing as indicated in Attachment 1. In addition, UNDP/UNOPS did not provide us with a copy of its organizational chart and other operational documents including justification/authorization for 2007 'notional expenses' that we requested in our initial entrance conference.

C. Financial Management Policies and Procedures

UNDP/UNOPS utilizes worldwide an automated (web-based) system called "ATLAS" to record its financial transactions. However, we did not review any of their systems during our initial entrance conference as that was not part of our review.

Mr. Tushar Dighe, Financial Manager, gave an overall presentation of their financial and accounting processes and how transactions are approved and recorded in their daily and monthly activities.

Monthly closing of all transactions are performed and reported to UNOPS N.Y. Headquarters who is responsible for the timely submission of the Financial Report to USAID (SF 269) and to the CTO's.

C. Financial Management Policies and Procedures (continued)

Based on our discussions with the Financial Manager and other financial management staff in our initial entrance conference, it appeared that there was a good internal control system and proper segregation of duties/responsibilities.

However, our testing and observation of documents in support of the transactions indicated otherwise, and we noted that there was disarray in the filing and improper substantiation of documents for transactions, and general lack of adequate support for many of the expenditures (disbursements) selected for testing.

IV. Recommendation

Due to the selection and testing of 2007 Expenditure (Disbursement) transactions and our findings which are summarized in Attachment 1 (worksheet), we are recommending that an independent audit be conducted as soon as possible to determine the extent of unallowable/questioned costs (expenditures) for the entire agreement (9/30/03 – 12/31/06) and further substantiation be made of questioned 2007 Expenditures (Disbursements), and also to expedite close-out of the agreement.

We also noted that numerous payments to vendors were paid in cash without proper documents and/or signatures to indicate who was paid, the date of the payment, the amount of the payment, and the lack of witness name, signature and address to verify receipt of cash payment as is required on UNOPS payment forms.

It is recommended that all cash transactions be kept to an absolute minimum and be properly identified and supported by proper authorizations, signatures, and witness name, address, and signature.

Drafter: OFM (b)(6) (b)(7)(D)

Review Participants: (b)(6) (b)(7)(D) OFM F/Analyst (b)(6) (b)(7)(C) PE, PRT Field Engineer

ATTACHMENT 21

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: November 23, 2007
Person Interviewed: [REDACTED]
Place of Interview: Telephonic [REDACTED]

On the above referenced date, [REDACTED] was interviewed telephonically from Afghanistan. After being apprised of the official identity of the agent, (b)(7)(C) stated the following, in substance:

He was already in Afghanistan, employed as project manager for the international airport at Kabul, when he was approached by UNOPS. Its Secondary Roads project was in trouble and he was asked to assist. He was hired as a senior engineer on 6/24/05. [REDACTED] was running the project for UNOPS at that time but she was simply not qualified for the job. Eight weeks after he joined, [REDACTED] left and he took over. He resigned on 12/12/06. (b)(7)(C)

He inherited a mess. Construction was six months behind schedule and finances were out of control. No one knew what the costs were. UNOPS couldn't award additional contracts. The grant started at \$35 million and was increased to about \$200 million before he joined. When he started, the project was overcommitted by about \$80 million. He calculated that figure himself after the USAID contact, Howard Blood (now deceased), said he would close the project if it was not better managed.

He resigned because the UNOPS Country Director, Mark Oviatt, was "corrupt and a total buffoon." Oviatt arrived in 10/06 and became Director that December. That was the month he resigned. Oviatt is self serving and moved money around to serve his lifestyle. He selected his own guesthouse and took \$200,000 of USAID grant money to renovate it. He paid for an armored vehicle and bodyguards the same way. Oviatt forced him to hire someone Oviatt knew from Iraq, [REDACTED] was not qualified and the best he could do was offer him a \$70,000 salary. Oviatt instructed him to hire [REDACTED] at \$140,000. (b)(7)(C)

About \$10 million of USAID grant money went to other projects in other countries, to include Sudan, Haiti, Sri Lanka and Dubai. This was done by Gary Helseth, Country Director before Oviatt. Helseth personally told him about these money transfers. Unlike Oviatt, Helseth did not do it to benefit himself or because he was corrupt. Helseth is very bright and knows the UN system well. He was unconventional in his methods, almost entrepreneurial. It made the UN uncomfortable. He moved money to other projects that needed it, expecting to bring it back when needed in Afghanistan.

REPORT MADE BY: Name: [REDACTED] **Date Signed:** 11/23/07
Signature: [REDACTED]

In September or October 2005, the \$80 million over commitment pushed his budget up to \$280 or \$300 million on the now-combined Louie Berger/UNOPS USAID Project. It was still expected that UNOPS would build 1,000 km of sealed road. Around 2/06 an amendment to the grant raised the budget to around \$310 million, which should have improved things. However as money had been diverted, his actual budget was \$300 million.

In 7/06 he sent a memo to USAID advising that he would be \$10 million short. AID brought him in and advised that they wanted him to augment the grant with the Southern Strategy – about 290 km of road outside Kandahar, a dangerous area - for another \$70 million. The grant was now approaching \$400 million but he was still missing \$10 million.

Helseth wanted to set up a regional office in Dubai. He heard that the Emirati government gave the UN a building for free. Money was sent, however, to augment staff. UNOPS was moving its headquarters from New York and Helseth wanted the new location to be Dubai. He hired staff to ramp up for this and believes that is where the money went. In the end, the UNOPS headquarters was relocated to Copenhagen. He doesn't know what happened to the hired staff. [REDACTED] [REDACTED] [REDACTED] both Australian employees of UNOPS, were there – still are – and can provide more information on this. Helseth is now in Kabul consulting for the Afghan government.

[REDACTED] [REDACTED] is the UNOPS COO in Kabul. [REDACTED] wife, [REDACTED] has worked in finance for UNOPS for a long time – before he [REDACTED] started working there. They both know about Oviatt's nepotism and how he diverted AID grant money to develop his guesthouse.

[REDACTED] was his UNOPS CFO and is "outstanding." She knows the UN very well and can provide the story on misappropriated money, including Oviatt's expenditures. She was pressured by Oviatt to create ways to cover up her actions on his behalf. She leaves Afghanistan next week. He will get the interviewing agent her contact information.

He knew [REDACTED] from the PRT [Provincial Reconstruction Team/QIP]. She spoke of similar problems with the QIP. She is very credible.

He returned to UNOPS for one month in 2/07. UNOPS asked him to help stabilize the program. He agreed to do it for four weeks until they found a replacement. In that time, he corrected another \$35 million in mistakes. On his last day, he met for two hours with his replacement, Wayne Curry, another friend of Oviatt's from Iraq.

He is now working for Afghan businessmen who approached him after he left UNOPS. His contract expires in 4/08.

UNOPS saw this grant as its cash cow. It was the most powerful program in Afghanistan. The whole thing turned out to be very disappointing.

ATTACHMENT 22

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: November 26, 2007
Person Interviewed: [REDACTED]
Place of Interview: Telephonic [REDACTED]

On the above referenced date, [REDACTED] was interviewed telephonically from Afghanistan. After being apprised of the official identity of the agent, [REDACTED] stated the following, in substance:

She has served as the Senior Program Support Officer for the Secondary Roads project since 4/06. She is leaving the country in three days, on 11/29/07. She cannot bear it anymore and needs to leave. She is "completely disgusted with UNOPS." The project overspent and asked for a no cost extension beyond its planned 12/07 termination date. She used the budgetary situation as an opportunity to leave early – to save the project her salary and related expenses for a month. She will return home to Senegal.

Wayne Curry, an American, has been in charge of the project as Program Manager/Chief of Party since 2/07. He was brought in by Mark Oviatt and was in Iraq and the West Bank prior to Afghanistan. Curry cannot understand the simplest related concept, cannot read a spread sheet and is totally unqualified for the job. She has no authority or ability to delegate yet when things go wrong – as they often do under him – he blames her. None of this – delays, cost escalations, project failings - is her responsibility, but he is trying to make it seem like it is. [REDACTED] (phon.), a former HR officer, told her that she and Oviatt disagreed over recruiting Curry. [REDACTED] a South African now in Dubai, knew she would lose her job over the issue. Oviatt fired her soon after Curry was hired.

To protect herself, she plans to back up all her records and emails before she goes home.

UNOPS makes a habit of conducting funny financial practices. Whether the project has money or not, they spend like money was no object. Money was freely moved to and from other awards. Gary Helseth, UNOPS Director before Oviatt, started the practice. About \$2.2 million has been returned to Secondary Roads. Fees are normally charged on the transfers – but are only charged once. Fees are charged by the Copenhagen office. Internal software tracks all this. She is aware of about \$6 million that has gone out of this project to other projects in Afghanistan and to other countries.

REPORT MADE BY:

Name: SA
Signature: [REDACTED]

Date Signed:

11/26/07

She knows that some money was sent to Dubai to purchase furniture and to pay staff. Some 60 million Japanese yen was spent (approx US \$500,000), possibly on furniture.

She heard that Oviatt may have used some project funds to refurbish his house but she does not believe he did it with Secondary Roads money.

She has no friends at UNOPS and keeps to herself. She is not close enough to Oviatt for him to ask her or pressure her to cover for him. Tushar Dighe [Advisor to the Country Director], is the only competent, positive person there. He called her a couple weeks ago and asked if she could meet with someone from the Inspector General's office. She told him she was busy but could find time. He was supposed to call back but never did.

She will provide the agent with [REDACTED] email address.

Her personal email address is [REDACTED]



ATTACHMENT 23

MEMO TO FILE

FROM: [REDACTED]
DATE: 6/20/08
CASE: [REDACTED]
RE: Attempts to contact UNDP Personnel

On several occasions throughout this investigation, the reporting agent (RA) attempted to contact UNDP Afghanistan Assistant Country Director Sophie Baranes. The first email was sent to her work email [REDACTED] on 11/21/07. Another on 12/3/07. The next day, Baranes responded that she was on leave and did not have access to the Afghanistan files. She confirmed that the RA was interested in the UNOPS Quick Impact Program and suggested that he contact her colleague, Eugena Song, Donor Relations Officer who was "very familiar with the QIP background and should be able to answer your questions." Baranes suggested that official correspondences also be addressed to their Deputy Country Operations in Kabul, Mr. Carlos Haddad, whom she copied.

The RA forwarded that message to Song on 12/12 and requested an interview. Song never responded.



ATTACHMENT 24

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

RECORDS REVIEW

Case Title: UNDP **Case Number:** [REDACTED]
Date of Review: December 6, 2007
Place of Review: RIG Manila

During a visit to the USAID/Afghanistan Mission in Kabul, the reporting agent received a copy of the *Report of the UNDP Office of Audit and Performance Review on internal audit services to UNOPS in 2006* from [REDACTED], of Army Corps of Engineers. The following was noted:

- Overall rating of Afghanistan Programme Implementation Facility – “partially satisfactory” except in the area of managing project budgets and expenditures, which is considered “deficient”. The key issues are: (i) incurring expenditures in the absence or in excess of approved budgets; (ii) strengthening the monitoring and follow-up of long-outstanding cash advances... [Paragraph 31b]
- For four projects in Afghanistan – (i) in one case, significant expenditures were incurred in the absence of funds received, resulting in a fund deficit; (ii) in one case, significant expenditures incurred during prior years were transferred to another project during activity year 2005, resulting in a significant credit balance and a mismatch of expenditures by year; (iii) in two cases, material adjustments in expenditures could not be verified because the supporting records were not made available at the time of the audit. [P 35b]
- Of the 75 recommendations in this report, 32 (43%) are considered of high importance (action considered imperative to ensure that UNOPS is not exposed to high risks, that is, where failure to take action could result in critical or major consequences for the organization) and 40 (53%) are of medium importance (action considered necessary to avoid exposure to significant risks). Total high/medium importance: 96%. [P 38]
- A recurrent high priority recommendation pertains to incurring of expenditures, specifically, those in excess of approved budget or funds received. [P 40a]
- An analysis of the causes of audit issues indicated that the most common is a failure to comply with pertinent regulations, rules and procedures. [P 41]
- OAPR provided advise on the unreconciled difference in the inter-office vouchers between UNOPS and UNDP records... OAPR reviewed the unreconciled balance of \$7.1 million... that remained from the initial amount of \$69.6 million at the start of 2006. [P 51]
- Annex 1: Afghanistan Programme Implementation Facility, recurrent and/or high priority recommendations #3: Efforts should be made to secure additional funding to cover the \$3.2 million deficit. UNOPS Mgmt Comments: UNOPS agrees that over-expenditure on project budgets, without agreement from the client violates the Financial Rules and Regulations. The UNOPS Deputy Executive Director has instructed the Country Coordinator, Afghanistan, to take appropriate corrective action...

REPORT MADE BY _____ Name SA [REDACTED] Date Signed _____
Signature: [REDACTED] 12/6/07

ATTACHMENT 25

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: December 11, 2007
Person Interviewed: [REDACTED]
Place of Interview: Telephonic [REDACTED]

On the above referenced date, [REDACTED] was interviewed telephonically from Jerusalem, Israel. After being apprised of the official identity of the agent, [REDACTED] stated the following, in substance:

He was already employed by UNOPS when he started serving as UNOPS Project Manager for the USAID/Afghanistan Provincial Reconstruction Team (PRT) in 6/06. The project ended in 12/06 but he stayed in country until around 4/07. He would have stayed in Afghanistan but he was offered a better position with UNOPS in Jerusalem.

UNDP was the United Nations' money holder for the Quick Impact Program (QIP). UNDP answered to the donor and undertook financial control and oversight. He is not sure that it was effectively managed and believes it would have been better and clearer if UNOPS did it all.

[REDACTED] was the PRT Project Manager from 2005 until Jan or Feb 2006. He was released from the project, he heard, because he was not up to the job and had communication problems with AID. The last he heard, [REDACTED] was with a private company in Afghanistan. They were not friends; he just saw him a couple times on the UN compound. He will look for [REDACTED] email or phone number and will forward to the agent.

[REDACTED] served as the temporary PRT Project Manager after [REDACTED]. She had a very good relationship with AID which is why UNOPS wanted to keep her. However, she was not an engineer and she had management style issues. Most critically, [REDACTED] and the permanent project manager who was later brought in, [REDACTED] did not get along. This makes some sense as it is hard to share a position like that. [REDACTED] had the ear of AID; she had an excellent relationship with Colonel [REDACTED] who was the lead engineer for AID on this. The two of them undertook a series of actions based on verbal say so, unsupported by any documentation. This became a financial issue. [REDACTED] and [REDACTED] relationship soured because of this. [REDACTED] sent an unprofessional email to [REDACTED] and the Country Director, Gary Helseth, fired him because of it. [REDACTED] was also let go.

REPORT MADE BY:

Name: SA [REDACTED]
Signature: [REDACTED]

Date Signed:

12/11/07

One significant verbal agreement between [REDACTED] and [REDACTED] that became an issue had to do with usage of a UNOPS-contracted helicopter. [REDACTED] later denied entering into this agreement. This became a \$350,000 expense and AID, specifically [REDACTED], started taking tougher stands on such expenditures.

When he arrived, he identified a \$2.5 or \$3 million financial shortfall. This was the result of several factors, including expenses such as security personnel not being properly accounted for and confusion between expenditures and commitments as reported to AID. \$1 million had been committed but was missed in programmatic reporting. This is an example of how things would have been done better if UNDP was not involved.

He reported this to AID and he and [REDACTED] resolved the issue. UNOPS swallowed \$1 million and AID covered the rest. Part of the problem was that AID was supposed to pay \$24 million for the project, however it was initially funded at only \$23 million. AID never committed to pay the other million so that was an immediate \$1 million shortfall. Security personnel, vehicles, the helicopter situation already mentioned, and similar items accounted for another \$1 million. The third million was lost as a result of bad reporting.

He is not aware of any money going to other projects. UNDP collected an overhead, called F&A, of about 7%. Some of the F&A money might have gone to projects in other countries, however that was all above board and done with the full knowledge of AID.

UNOPS received its money as advances from UNDP. The first tranche, received before he arrived, was for about \$15 million. Projects still needed approval from AID. However, AID only looked at the projects' direct costs and did not consider indirect expenses, such as the F&A. This led to other problems. He is not sure if there was a delay in funding from UNDP or if the process was just slow and archaic. There was a delay in getting the million dollars [REDACTED] agreed to provide. It finally came in late 10/06, after a six or eight week delay. Then UNDP was slow in getting it to UNOPS. Other than that, money was received timely from UNDP.

UNOPS had discussed a no cost extension with AID to close the project out properly. As UNDP had the agreement with AID, this had to go through them. UNDP was late in getting the letter to AID and AID denied the request.

While he was there, UNOPS always sought tenders from at least three local contractors for each project. UNOPS constructed the Bills of Quantity (BOQs) as many of the locals were illiterate. The BOQs were based on the AID design and were simple to understand. Bidders supplied the rates. 90% of them had to be corrected as the figures rarely added up. The locals had no software for this. Figures were not manipulated, just corrected. Generally, UNOPS went for the cheapest bidder, which was not always the best bidder.

While he was there, the AID Mission always got exactly what it asked for. He had not heard that AID was unable to get documents it had requested. He provided all BOQs, designs and more. He had been sent in to fix relations with AID, which he did. He never denied AID anything. Internal problems between [REDACTED] and [REDACTED] created the next issue but he was not really involved with that.

Mark Oviatt was there for the last three months he [REDACTED] was in country. He was in country when Oviatt had the VIP guesthouse renovated. This was done with money from the UNOPS admin budget. He is "pretty sure" of that. [REDACTED] the Ops Manager told him that. The admin budget came from project fees.

Before he arrived, the Qalat airfield was approved with a \$300,000 budget. This was never realistic. [REDACTED] handled it. Not only was the construction not enough for what needed to be done - in a dangerous area, furthermore - but finance was needed for maintenance. Ruts needed to be corrected immediately. That did not happen. He told Colonel [REDACTED] this. [REDACTED] response was that maintenance was not an AID issue but a military one. He has an email to this effect from [REDACTED] and will forward it.

The Tarnak Bridge was also constructed before his time. As he understood it, it was designed for a different location. A local official insisted it be moved but no re-design was conducted. They did some land reclamation and moved forward with the construction. The first winter was heavy and there were no issues. Then there were freak floods, huge rains. Water hit the bottom of the bridge; this was attested to by local witnesses and photos taken.

ATTACHMENT 26

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title:	UNDP	Case Number [REDACTED]
Date of Interview:	December 12, 2007	
Person Interviewed:	[REDACTED]	
Place of Interview:	Telephonic [REDACTED]	

On the above referenced date (12/11/07 in the US), [REDACTED], was interviewed telephonically from his residence in the Washington, DC metro area. Already apprised of the official identity of the agent, [REDACTED] stated the following, in substance:

He was Deputy Mission Director at USAID/Afghanistan from 7/06 until 7/07. He is currently detailed to the USAID Human Resources Office in the Ronald Reagan Building as he awaits his Senate confirmation as Development Advisor to the New Africa Command in Stuttgart, Germany.

He was against any extension of the UNDP/UNOPS Quick Impact Program (QIP). UNOPS overspent, committed money not allocated, left projects uncompleted and was unresponsive to complaints on projects they did complete. It was finally agreed to extend the project to March for closeout and in order to get a final accounting. That was never received. No additional money was provided, however. UNOPS said its list of project would be finished; many were not.

USAID had no basis to question the \$5 million that UNDP drew from its letter of credit (LOC) in 2007, in spite of the fact that the QIP ended on 12/31/06. The UN had up to nine months to make final payments on grant expenses, so long as all expenses were incurred during the time of the award. The Mission had no way to confirm that all expenses were properly incurred and there was no way to get that information. While he was there, the Mission did not get anything to support the \$5 million withdrawn. However, again, it was not illegal for UNDP to make the withdrawal. There was no basis to disallow it.

A LOC was totally inappropriate for this kind of award as there was no way to monitor disbursements. There was no accountability and no audit ability. He wanted to close the LOC and put the UN on a payment liquidation process.

He is unaware of any more draw downs after the \$5 million. [REDACTED] [USAID/ Afghanistan Contract Negotiator] sent a message to Washington to freeze the LOC.

REPORT MADE BY:	Name: SA, [REDACTED]	Date Signed:
	Signature: [REDACTED]	12/12/07

He knew Mark Oviatt from Iraq when Oviatt worked for IRG. Oviatt came to Afghanistan in the spring of 2007, shortly before he [REDACTED] left. He and Oviatt met with UNDP's financial directors from New York, primarily to discuss the Secondary Roads project which was \$10 million overdrawn at the time. It was at this time that he learned that UNDP, not UNOPS, managed the LOC. He was not prepared to continue with the LOC and he also wanted to review the 7% fee that UNDP was charging and reduce it to 5%. The UNDP representatives responded by advising that operating in Afghanistan was too expensive to allow a reduction in their fee structure. UNOPS did agree to change the liquidation methodology but that did not take effect while he was still in country.

He does not recall ever discussing the QIP LOC or related financial situation with Oviatt. He has no idea why UNDP drew the amount of \$5.1 million on the day it did so.

The UN had a \$15 million overrun on its elections project. \$4.8 million was attributed by the UN as the amount to be covered by USAID. He never said that QIP money should be used to cover this. In fact, he prepared a letter for Ambassador Newman pledging to pay the \$4.8 million pending availability of funds. The Ambassador signed it but no money was available. They were waiting for the Afghanistan supplemental to be approved by Congress. Moving money from one project to another never even came up.

Secondary Roads was overdrawn pursuant to delays in work due to security problems and the need for corresponding engineering changes. He never heard that UNOPS was moving money from this to other projects.

The USAID UNOPS project manager was [REDACTED] until December when [REDACTED] took over. He never received any complaints on her [REDACTED] and he had some heated discussion, however, on UNOPS. In 10/06 she told him there were problems in UNOPS' commitment and expenditure reporting. He brought in Regional Legal Advisor [REDACTED] who advised that the Contracting and Controller's Offices needed to get a full accounting of the project. [REDACTED] felt that she and the PRT had it under control and could handle it. Furthermore, at the time [REDACTED] now her husband, was the Deputy Controller. He was serving as her informal advisor to help solve this problem. He [REDACTED] told [REDACTED] that the Controller's office needed to be *formally* involved under Jim Ahn, the Controller, not the deputy. He doesn't know how she felt about that but she acted as instructed.

UNOPS was the only implementing partner in many areas of the country where USAID wanted to go, strategically. They needed, however, to identify ways to better safeguard AID's money. That the UN is a public international organization providing limited audit rights was a problem. They tried to change this. The UN would not grant audit rights but agreed to give more access to their records before he left.

ATTACHMENT 27

[REDACTED] (Philippines/RIG)

From: [REDACTED] (Philippines/RIG)
Sent: Monday, December 17, 2007 5:26 PM
To: [REDACTED]
Subject: Request for assistance from USAID OIG

Attachments: UNDP Doc request.doc



UNDP Doc
request.doc (39 KB)

Hello [REDACTED]

I apologize for the delay in contacting you again. I hope all is well in New York.

I tried to go as far as I could without having to request your assistance. I now find that I am hitting a wall. If you can help, I'd be obliged.

I am investigating activities that occurred pursuant to a UNDP cooperative agreement with USAID/Afghanistan, namely the Quick Impact Projects under the Provincial Reconstruction Teams. I met with UNOPS officials in Kabul (UNOPS executed the projects) and requested documents. My request was denied, they advised me, because the award was actually with UNDP, not UNOPS. I cannot get anyone at UNDP to speak with me, which makes it hard to ask them for documents. I am attaching a slightly modified version of the request I provided to UNOPS. Can you help?

I have also been trying to contact UNDP staff (Sophia Baranes, Eugena Song) to set up appointments to speak telephonically, but they have not responded. Is there a way you can encourage Ms. Baranes or Ms. Song to speak with me? I understand that the UN has immunity; at the same time, USAID expects that its partners would be cooperative with all official requests from the Inspector General. Before I report to the Agency that the UN refused to cooperate, I thought I'd run it by you.

Of course, let me know if you have questions or if you wish to discuss anything.

Thank you very much (b)(6) (b)(7)(C) for any assistance you may be able to provide.

Best regards,

[REDACTED]
[REDACTED]
Special Agent
USAID/Manila RIG/I

Request for UNDP Assistance
From USAID Office of Inspector General

Documents and records requested:

The following documents in the possession, custody or control of the United Nations Development Programme, its designee or subcontractor, relating to work and events transpiring under the USAID/Afghanistan Quick Impact Projects (QIP), No. 306-A-00-03-00509-00, including, but not limited to:

All documents related to the following projects:

1. PRTBYN002 – Bailey Bridges Procurement
2. PRTBYN005 – Construction of District Government Buildings
3. PRTBYN017 – Construction of District Government Buildings
4. PRTBYN018 - Construction of District Government Buildings
5. PRTBYN012/12A – Abutments for/Erection of Bailey Bridge at Shar-Naw
6. PRTJBD036 – Base and Sub-base for 6,387 m of Road
7. PRTKDH018A – Renovation of Kandahar Airport Terminal Building, Phase 1
8. PRTLKG001 – Refurbish and Expand of Provincial Courthouse
9. PRTTKT001 – FM Radio Station in Tirin Kowt
10. PRTQLT002 – Provincial Department of Women’s Affairs
11. PRTQLT011 – Da Afghan Bank Branch Building
12. PRTKDH005 – Tamak River Bridge
13. PRTQLT004 – Qalat Air Strip
14. PRTQLT012 – Shaha Joy Hospital Refurbishment
15. PRTKBL037 – National Program Support Office

Documents to include but not be limited to complete sets of:

- Requests for Quotes (RFQs)/all corresponding bids received;
- Initial UNOPS Bills of Quantity (BOQ), BOQs as completed by bidders, winning BOQs, and final BOQs signed by contractors stating work performed;
- Contracts with local implementers;
- Records of payments (bank transfers, cash payments, etc.), including indication of project retention fee withholdings and their eventual payment to contractors;
- All project monitoring reports;
- Correspondence with contractors;
- Project designs and change orders/cost additions and deductions;
- Accounting of all QIP funds transferred/used for non-QIP projects, including bank transfer records;
- Accounting of non-QIP funds transferred/used for QIP projects, including bank transfer records;
- Accounting of all funds withdrawn from the cognizant letter of credit in calendar year 2007;
- List, status and cost of equipment procured for associated with these projects

ATTACHMENT 28

[REDACTED] (Philippines/RIG)

From: [REDACTED] Philippines/RIG)
Sent: Friday, March 07, 2008 8:48 AM
To: [REDACTED]
Subject: USAID OIG meeting request

Mr. [REDACTED]

My name is [REDACTED]. I am an investigator with the USAID Office of Inspector General. I am based in Manila, but have regional coverage, to include Afghanistan. I am requesting an interview with you to discuss activities that occurred under the UNDP's USAID agreement 306-A-00-03-00509-00, Quick Impact Program (QIP). I would also like to speak with Sophie Baranes and/or Eugena Song, if that is possible. I am available in New York City on the afternoon of April 7, or the morning of April 8. If that is not possible, please let me know if another location (Kabul?) suits you better. Obviously if you have questions, please let me know.

Thanks you, sir. I look forward to meeting you.

Regards,

[REDACTED]
Special Agent
USAID/Manila RIG/I
[REDACTED] Office)
[REDACTED] (Mobile)
[REDACTED] (Fax)
[REDACTED] @USAID.Gov



[REDACTED] (Philippines/RIG)

From: [REDACTED] (Philippines/RIG)
Sent: Monday, March 24, 2008 10:12 AM
To: [REDACTED]
Subject: RE: Out of Office: USAID OIG meeting request
Attachments: UNDP Doc request.doc

Mr [REDACTED]

Thank you for your assistance. I am back in Manila today and will be here through the end of this week. Attached is a list of documents I am also interested in reviewing (apologies – I was unable to upload this from my TDY account in Kabul). Please note, however, that I still hope to get answers to the below questions as soon as possible. No need to wait until the documents are corralled to respond to the questions. If you can at least get back to me by Friday, March 28 as to how things are looking (i.e. when I may look forward to hearing back on these two fronts) it would be greatly appreciated. My access to work email may be limited while I am in the US, however I do expect to check my TDY account – [REDACTED]

Thank you,
 [REDACTED]

From: [REDACTED] [mailto:[REDACTED]]
Sent: Monday, March 17, 2008 10:09 AM
To: [REDACTED] (Philippines/RIG)
Subject: RE: Out of Office: USAID OIG meeting request

Dear [REDACTED]

Thanks for your follow-up message.

You may have misunderstood my statement, which I like to repeat. I have explained to you that my personal knowledge of this case is very limited. That is why a face-to-face meeting at this time would not be very useful to you. I have further explained that several colleagues from the office have worked on this project. Therefore, the knowledge is spread over several people. Therefore, I have requested the questions from you in order to know how and who is best positioned to answer your queries.

I will try to get back to you with the limits of my authority.

Best regards,
 [REDACTED]

From: [REDACTED] (Philippines/RIG) [mailto:[REDACTED]]
Sent: Sunday, March 16, 2008 5:37 PM
To: [REDACTED]
Subject: RE: Out of Office: USAID OIG meeting request

Mr. [REDACTED]

Thank you for your time on the telephone this morning. While I was disappointed that you feel an in-person meeting here in Kabul would be unproductive, I do appreciate your willingness to answer my emailed questions. Please note that I have been trying for some time to secure answers and documents from your office. My hope is that these questions may be answered by Friday, March 28, 2008. However, as I mentioned in my earlier email to you, I will be in New York on April 7 and would be willing to meet with any JNDP representative on that date to discuss these matters. One refrain I have heard several times is that answers cannot come from UNDP as UNOPS did the work. As I am sure you will understand, this is not acceptable to the OIG as the USAID award was with UNDP. My questions pertain to the PRT Quick Impact Project, 306-A-00-03-00509-00 and are:

4/27/2008 [REDACTED]

1. What person or persons determined that \$5,116,520 would be drawn from the letter of credit in the first quarter of CY 2007 and \$1,589,722 in the second quarter of CY 2007?
2. How, exactly, were these figures compiled?
3. How, exactly, was this money spent? Please provide detailed expense reports, not generic statements.
4. Who is the person who physically withdrew the money from the LOC?
5. What is the status of the final financial statement and inventory of non-expendable property that you assured Carl Rahmaan USAID Deputy Director, he would receive in a letter dated 18 April, 2007?
6. What is the present contact information for Eugena Song and Sophie Baranes?
7. What knowledge does UNDP have – when did it learn it and how - that UNOPS was transferring QIP funds to non-QIP projects?

previously requested documents from the UNDP. None were provided. Unfortunately I cannot upload the list now, but will endeavor to do so tomorrow. Please do not hesitate to contact me for clarification on any of these matters. My offer to meet here in Kabul stands. I would be available tomorrow afternoon (Monday). I may be contacted at [REDACTED]

Thank you very much.

[REDACTED]
 [REDACTED]
 Special Agent
 USAID RIG/ Manila

From: [REDACTED] [mailto:[REDACTED]]
Sent: Friday, March 07, 2008 8:49 AM
To: [REDACTED] (Philippines/RIG)
Subject: Out of Office: USAID OIG meeting request

I am on leave and will be back to the office on the morning of March 11, 2008. During this time, I will not be able to reply to your emails. [REDACTED] will be the Officer-in-Charge of Operations. Kindly forward official business to him. (b)(7)(C)

Best regards,

[REDACTED]
 (this is an automated message)



Request for UNDP Assistance
From USAID Office of Inspector General

Documents and records requested:

The following documents in the possession, custody or control of the United Nations Development Programme, its designee or subcontractor, relating to work and events transpiring under the USAID/Afghanistan Quick Impact Projects (QIP), No. 306-A-00-03-00509-00, including, but not limited to:

All documents related to the following projects:

1. PRTBYN002 – Bailey Bridges Procurement
2. PRTBYN005 – Construction of District Government Buildings
3. PRTBYN017 – Construction of District Government Buildings
4. PRTBYN018 - Construction of District Government Buildings
5. PRTBYN012/12A – Abutments for/Erection of Bailey Bridge at Shar-Naw
6. PRTJBD036 – Base and Sub-base for 6,387 m of Road
7. PRTKDH018A – Renovation of Kandahar Airport Terminal Building, Phase 1
8. PRTLKG001 – Refurbish and Expand of Provincial Courthouse
9. PRTTKT001 – FM Radio Station in Tirin Kowt
10. PRTQLT002 – Provincial Department of Women’s Affairs
11. PRTQLT011 – Da Afghan Bank Branch Building
12. PRTKDH005 – Tarnak River Bridge
13. PRTQLT004 – Qalat Air Strip
14. PRTQLT012 – Shaha Joy Hospital Refurbishment
15. PRTKBL037 – National Program Support Office

Documents to include but not be limited to complete sets of:

- Requests for Quotes (RFQs)/all corresponding bids received;
- Initial UNOPS Bills of Quantity (BOQ), BOQs as completed by bidders, winning BOQs, and final BOQs signed by contractors stating work performed;
- Contracts with local implementers;
- Records of payments (bank transfers, cash payments, etc.), including indication of project retention fee withholdings and their eventual payment to contractors;
- All project monitoring reports;
- Correspondence with contractors;
- Project designs and change orders/cost additions and deductions;
- Accounting of all QIP funds transferred/used for non-QIP projects, including bank transfer records;
- Accounting of non-QIP funds transferred/used for QIP projects, including bank transfer records;
- Accounting of all funds withdrawn from the cognizant letter of credit in calendar year 2007;
- List. status and cost of equipment procured for associated with these projects

ATTACHMENT 29

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS**

Memorandum Of Interview

Case Title: UNDP **Case Number:** [REDACTED]
Date of Interview: March 25, 2008
Person Interviewed: [REDACTED]
Place of Interview: Telephonic [REDACTED]

On the above referenced date, [REDACTED] was interviewed telephonically from the Washington, DC metro area. From 8/07, the reporting agent (RA) tried to interview [REDACTED] however [REDACTED] refused to be interviewed. Finally, after being served a subpoena to appear in front of a Southern District of New York Grand Jury, [REDACTED] agreed to be interviewed. Already apprised of the official identity of the agent, [REDACTED] stated the following, in substance:

She was employed by UNOPS [the United Nations Office of Project Services] from on or about 10/05 until approximately 6/06. A contact of hers, [REDACTED] who she met while serving with the military in Iraq, gave her number to Gary Helseth. After completing the UN's application process, she was hired. She started as a project manager in Afghanistan and after the New Year took over the Quick Impact Program.

She is not an engineer. She is a project-oriented person, however, and expected to serve as someone's deputy. Initially she helped with UNOPS staff and coordinated with USAID and the State Department. UNOPS had started a lot of new projects, building schools, roads, etc., and things were in a state of transition. Managerial decision making was needed. She had contacts at AID and State and immediately started to focus on the projects that needed attention. She quickly developed a close working relationship with [REDACTED] and [REDACTED] who were overseeing the projects for USAID.

(S)(7)(C) She flew to Qalat two or three times, traveling with [REDACTED] and [REDACTED]. She reported back to her boss, Helseth, that the airstrip and other projects were not progressing. She and [REDACTED] devised a plan of action for the airstrip. The contract needed to be re-bid and started from scratch. That was undertaken at the time of her departure from UNOPS, however no actual construction had occurred.

The problem as she saw it was that no one from UNOPS or USAID had been to the site to confirm operations before progress reports were sent, by [REDACTED], the UNOPS PRT Program Manager, to AID. [REDACTED] had never been to Qalat. When she saw the state of the airstrip, she thought it "shocking" that no real work had been done. She reported this to Helseth, who wanted to fix the situation. Helseth removed [REDACTED] and put her in his place.

REPORT MADE BY:

Name:

Signature: [REDACTED]

Date Signed:

3/25/08

Notice:

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She was never involved with the compilation or provision of updates or other data to USAID. She considered it her job to confirm the information that (b)(6), (b)(7)(C) had already sent. Though she is not technically sure of what was reported to AID, she believes that the airstrip had not been accurately reported. She found the project to be very much delayed. She believes that the strip was supposed to have an asphalt top and be comprised of gravel. What she saw looked to her to be a tactical strip. It was dirt. She was surprised at how much it cost. She told Helseth that they needed to bring in a team of engineers to address this. Helseth arranged for two UN engineers to come in. She does not remember their names. (b)(7)(C) seemed happy with that. Work seemed to be starting when she left.

She also went to see the Tarnak Bridge. She reported to Helseth that there were problems there, too. A plan of action was determined, needed people were hired. The same two engineers who were dispatched to the airstrip came to the bridge. As with the airstrip, (b)(6), (b)(7)(C) reports to AID on the bridge's construction and progress were not accurate. Once again no one from USAID or UNOPS was confirming (b)(6), (b)(7)(C) data. A UNOPS employee who was working on this project was let go. She does not recall his name.

The situation at the Judicial Center was the same. Reports were not accurate and had not been verified on the ground. She thought that project was also going to be turned around but she did not stay long enough to witness it.

She thought that she had a good connection with the Ambassador, (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C). She was getting things done. She is not sure what happened. Maybe Helseth was jealous. Nothing specific happened between them; Helseth surprised her by not wanting her to continue. He brought in someone else from the UN - (b)(6), (b)(7)(C) - to work on the PRT. (b)(6), (b)(7)(C) did not work well with (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C) and she barely had any relationship with him at all. USAID wanted (b)(6), (b)(7)(C) removed and after only one or two months he was gone.

It is possible that Helseth heard that she was interested in working for USAID and thought that she was not loyal to UNOPS. She did work for USAID in Washington after this. He told her there was no place for her in the PRT. She thinks she also got caught in the cross fire over (b)(6), (b)(7)(C). One day she was discussing the matter with (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C). Helseth felt that she was working against UNOPS.

Helseth was very unprofessional about this. She never received her last paycheck. She had no trouble leaving the country, however. She cannot say if Helseth was corrupt or not. He is a US citizen but she does not know where he currently is. To her knowledge, he quit UNOPS. (b)(6), (b)(7)(C), also a US citizen, may now be working in Russia. She does not know what company he works for. She will look for their email addresses.

There was a school in Kabul that UNOPS was refurbishing. (b)(7)(D) had negotiated a deal with the dean to use office space and internet in the building. (b)(7)(D) paid a monthly fee to the dean for this. As soon as she took over from (b)(7)(D) and learned of this, she stopped the payment. The dean was upset; apparently he was causing trouble for all the contractors with similar demands. (b)(7)(D) told her the monthly payment was small and that it was not paid with USAID funds. He said it was his own money. (b)(7)(D) deputy (she does not remember his name) may have also been involved with the payments. She thinks Helseth approved this. She saw the space. It was a kitchen area. She does not remember seeing any computers there – or anything else functioning. She is unaware of any other such scenarios or payments.

She only had one meeting with UNDP. She met with its finance people in an effort to learn about the money stream. If there were discrepancies, she wanted to know. She remembers that the Qalat airstrip was the priciest project. She took her finance person, who was French but she does not recall his name. She got some sense of it – but mostly that UNDP served as the bank for UNOPS. It did not add any value to the projects and had no input or daily interaction.

She does not know if Helseth could remove money from the project or not. She thought that once AID relinquished the money, it just had to wait to hear back from UNDP as to how it was spent. She has no knowledge of UNOPS spending PRT money on the UNOPS Dubai office or other outside, non-PRT, projects. She visited that office but has no idea how its construction was funded. Helseth was involved with the building; he was based out of it. He would know how it was funded.

She was not involved with the payment of retention funds to contractors. Helseth would also know about this.

She is currently working in Washington, DC as a contractor for the State Department. She resides at (b)(7)(D) (b)(7)(D) (b)(7)(D) (b)(7)(D)